Risk and capital management report **for the six months ended 30 June 2017**

Standard Bank Group

Standard Bank Moving Forward™
Also trading as Stanbic Bank

Contents

Risk oversight

THIS REPORT

This risk and capital management report covers the Standard Bank Group's (the group) banking activities and other banking interests. Certain information pertains to the group's results, which includes the group's interest in Liberty and its other banking interests, and has been denoted as such.

All amounts are in rand millions unless otherwise stated. FY16 refers to the period ended 31 December 2016 and 1H17 refers to the period ended 30 June 2017.

Refer to the group's 2016 risk and capital management report and annual financial statements for information regarding the group's insurance operations.

Refer to the group's 2016 risk and capital management report for details on the principal differences between International Financial Reporting Standards (IFRS) and Basel Capital Accord (Basel) reporting frameworks.

Pillar 3 references as per the regulations (OV1, CR1 etc.) have been included in Basel table headings. Refer to annexure D for more information.

BOARD RESPONSIBILITY

The group board of directors (the board) has the ultimate responsibility for the oversight of risk.

As at 1H17, the board is satisfied that:

- the group's risk, compliance, treasury, capital management and group internal audit (GIA) processes generally operated effectively
- the group's business activities have been managed within the board-approved risk appetite
- the group is adequately funded and capitalised to support the execution of the group's strategy.

In the instances where the group incurred losses, breached risk appetite or was fined by its regulators, the board is satisfied that management has taken appropriate remedial action.

Basel pillar 3 disclosure

During 2016, the group audit committee (GAC), on behalf of the board, approved the group disclosure policy, which has been updated to incorporate the revised pillar 3 disclosure requirements set out by the Basel Committee on Banking Supervision (BCBS).

Key elements of this policy include:

- guiding principles for pillar 3 disclosure
- frequency of reporting
- governance processes
- internal controls and procedures.

The board is satisfied that this report has been prepared in accordance with the requirements of the group disclosure policy and that an appropriate control framework has been applied in the preparation of this report.

King IV

The board is supportive of the revised King Code and work is underway to assess the group's adherence in relation to the specific practices and disclosure requirements attendant to the principles, ahead of the formal adoption from 1 October 2017.

RISK TYPES

RISK TYPES

- CREDIT RISK
- COMPLIANCE RISK
- COUNTRY RISK
- FUNDING AND LIQUIDITY RISK
- MARKET RISK
- OPERATIONAL RISK
- BUSINESS RISK
- REPUTATIONAL RISK

Each risk is defined within the relevant section, together with:

- an explanation of the application of the group's risk, compliance and capital management (RCCM) governance framework to the specific risk
- the approved regulatory treatment for capital requirements to be held against the specific risk in terms of Basel
- a description of the relevant portfolio characteristics both in terms of prescribed disclosure and the group's business model

Emerging risks

In an ever evolving world that is interconnected through technology it is becoming increasingly important for the group to remain forward-looking in its management of the risk environment. Through the continuous assessment of current and emerging risks, the group is better equipped to identify these potential risks and manage and mitigate them effectively. The group is focusing on the development of a more structured assessment process to ensure consideration and consolidation of all potential risks as part of the combined assurance approach.

RISK GOVERNANCE

Governance framework

The group's approach to managing risk and capital is set out in the group's RCCM governance framework, which is approved by the group risk and capital management committee (GRCMC). The framework has two components:

- governance committees
- governance documents such as standards, frameworks and policies.

Governance committees

Governance committees that operate within the RCCM governance framework are in place at both a board and management level. These committees have mandates and delegated authorities that are regularly reviewed.

Board committees

The board committees that are responsible for the oversight of the group's RCCM comprise the GRCMC, the GAC, the group information technology (IT) committee and the group model approval committee. The key roles and responsibilities of these committees, as they relate to RCCM, are summarised in the sections that follow.

Group risk and capital management committee

The GRCMC provides independent oversight of RCCM across the group by:

- monitoring adequate and effective implementation of risk governance processes, standards, policies and frameworks
- monitoring that the risk strategy is executed by management in accordance with the board-approved risk appetite and the RCCM governance framework
- considering the quarterly risk management report which includes detailed updates on risk types, as well as the separate updates from legal, capital and liquidity risk and intragroup exposures
- reporting material risk and capital management matters to the board.

The GRCMC is a subcommittee of the board. It provides an independent objective oversight of risk and capital management in the group. It also reviews and assesses the adequacy and effectiveness of the group RCCM governance framework, and the integrity of risk controls and systems.

The chairmen of the board, the GAC, the remuneration committee, the group social and ethics committee, the group model approval committee and the group IT committee are all members of the GRCMC. This common membership supports an integrated view of financial, IT and risk controls and ensures that relevant finance and risk input is considered in the determination of levels of compensation.

The group audit committee

The GAC has oversight of the group's financial position and makes recommendations to the board on all financial matters, financial risks, internal financial controls and compliance. In relation to RCCM, the GAC plays a role in assessing the adequacy and operating effectiveness of the group's internal financial controls.

In order to ensure the independence of the second line of defence functions, the chairman of the GAC meets individually with the group chief compliance officer (GCCO), the group financial director and the group chief audit officer without management being present, on a quarterly basis and as required.

The group IT committee

The group IT committee's purpose is to assist the board in fulfilling its corporate governance responsibilities with respect to IT and reports to the board through its chairman. The committee has the authority to review and provide guidance on matters related to the group's IT strategy, budget, operations, policies and controls, the group's assessment of risks associated with IT, including disaster recovery, business continuity and IT security, as well as oversight of significant IT investments and expenditure.

The group model approval committee

The group model approval committee is designated by the board to discharge the board's regulatory responsibility of reviewing and approving the group's material risk models, as well as models used in the calculation of regulatory capital. This committee is supported by the Personal & Business Banking (PBB) and Corporate & Investment Banking (CIB) model approval subcommittees, with the models being assigned to these three committees for approval based on an assessment of the materiality of each model.

Management committee

The group risk oversight committee

Executive management responsibility for all material risk types has been delegated by the group management committee to the group risk oversight committee (GROC) which, in turn, assists the GRCMC in fulfilling its mandate.

As is the case with the GRCMC, GROC calls for and evaluates in-depth investigations and reports based on its assessment of the group's risk profile and external factors.

GROC delegates authority to various subcommittees which deal with specific risk types or oversight activities. Material matters are escalated to GROC through reports or feedback from each subcommittee chairman.

The GROC subcommittees are as follows:

- CIB credit governance committee, chaired by the CIB chief risk officer (CRO)
- PBB credit governance committee, chaired by the PBB CRO
- group asset and liability committee (ALCO) and its subcommittees, the group capital management committee and the intragroup exposure committee, all chaired by the group financial director
- group compliance committee, chaired by the GCCO
- group country risk management committee, chaired by the group CRO
- group equity risk committee (ERC), chaired by the CIB CRO
- group internal financial control governance committee, chaired by the group financial director
- group operational risk committee, chaired by the group head of operational risk management
- group sanctions review committee, chaired by the group chief executive officer
- group stress testing and risk appetite committee, chaired by the group CRO
- recovery and resolution planning committee, chaired by the group financial director.

RISK MANAGEMENT LANDSCAPE

Three lines of defence model

The group uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of roles.

The first line of defence consists of the management of business lines and legal entities. It is the responsibility of first line management to identify and manage risks. This includes, at an operational level, the day-to-day effective management of risk in accordance with agreed risk policies, appetite and controls. Effective first line management includes:

- the proactive self-identification of issues and risks, including emerging risks
- the design, implementation and ownership of appropriate controls
- the associated operational control remediation
- a strong control culture of effective and transparent risk partnership.

The second line of defence functions provide independent oversight and assurance with resources at the centre and embedded within the business lines. Central resources provide groupwide oversight of risks, while resources embedded within the business lines support management in ensuring that their specific risks are effectively managed as close to the source as possible. Central and embedded resources jointly oversee risks at a legal entity level.

The second line of defence functions develop, implement and integrate governance standards, frameworks and policies for each material risk type to which the group is exposed. This ensures consistency and an enterprise-wide approach across the group's business lines and legal entities. Compliance with the standards and frameworks is ensured through annual self-assessments by the second line of defence and reviews by GIA.

The third line of defence provides independent and objective assurance to the board and senior management on the effectiveness of the first and second lines of defence. This responsibility lies with the GIA function.

All three levels report to the board, either directly or through the GRCMC or the GAC.

Governance documents

Governance documents within the RCCM governance framework comprise standards, frameworks and policies which set out the requirements for the identification, assessment, measurement, monitoring, managing and reporting of risks and the effective management of capital.

Governance standards and frameworks are approved by the relevant board committee. Relevant group policies are approved by the group management committee or subcommittee, relevant GROC subcommittee, GROC itself or, where regulations require board approval, by the board or relevant board committee.

Business line and legal entity policies are aligned to these group policies and are applied within their governance structures.

Enterprise risk management

Through the three lines of defence framework, the group continues to monitor, manage and mitigate its material risks on a groupwide basis. With an increasing focus on consistency and transparency, the group regularly assesses and enhances its risk management framework to ensure it is fit-for-purpose. Risk management efforts are focused on the groupwide alignment of risk and financial reporting and underlying data, governance and monitoring thereof, education and awareness initiatives, as well as systems capabilities, providing the ability to more easily identify and leverage opportunities between the various risk types.

Risk culture

The group leverages the three lines of defence model to build and maintain a strong risk culture, where resilience is a priority for the effective management of risk across the group. The group focuses on multiple drivers to enhance risk culture, with emphasis on doing the right business, the right way. Through the embedding of its values and ethics, policies, compliance training programmes and a whistle-blowing programme, the group empowers its employees to act with confidence, driving meaningful behavioural changes and placing the customer at the centre of everything it does.

Reporting

The group's risk appetite, risk profile and risk exposures are reported on a regular basis to the board and senior management through various governance committees. Risk management reports originate in the business units and are then escalated through a formalised governance structure as mandated, based on materiality. A group risk management report is tabled at both board and senior management risk committees. These include the group executive committee, the group management committee, GROC and the GRCMC.

Reports to board committees comply with the group's internal risk reporting standards, which are set out in the group's risk data aggregation and risk reporting policy.

Reflections from the CRO

We have a well-developed enterprise risk management framework which ensures a consistent approach to managing risk across the group, together with a clear risk appetite aligned to our group strategy. We take a holistic and forward looking view of risks we face continuously assessing both current and emerging risks.

In our 2016 annual report, we anticipated that the economic growth challenges would continue in 2017 given political events, geopolitical risks and regulatory uncertainty. We also noted that the risk of a downgrade of the South African credit risk rating to sub-investment grade remained high.

The foreign and local currency downgrades that occurred in South Africa in the first half of 2017 have had a more benign impact than previously anticipated on the availability and cost of foreign currency funding. This is partly due to the global macro-economic environment and the current appetite for emerging markets. Further downgrades could have a more significant impact on the group's access to foreign currency liquidity sources and the cost thereof. We continue to develop and implement mitigation strategies to address the risks identified given that the possibility of further rating agency downgrades remain.

Sovereign weakness and the associated foreign currency liquidity shortages as a secondary result of low commodity prices continued in 1H17, and we have managed our exposure to concentration in all sectors. In addition, we have rigorously managed our exposures to local banks given their increased risk in terms of exposure to the sovereign and commodity sectors, particularly in oil exporting countries. Financial crime and cyber risk in particular remains a key focus area and we continue to invest in our capabilities to mitigate this risk.

YEAR TO DATE PROGRESS

Capital management

The group issued its debut Basel III compliant additional tier I (AT1) capital instrument for R1.7 billion on 30 March 2017 to contribute towards a more optimal composition of the group's capital resources.

The downgrades to the South African sovereign rating and consequential downgrades in the credit ratings of South African banks in the first half of 2017 did not have a material impact on the group's capital adequacy ratios although there was an increase in market risk risk-weighted assets (RWA).

Credit risk

For the year to date the group credit loss ratio has reduced to 0.96% from 1.05% at the same period last year.

The primary contributors to the improved result were:

- enhanced risk distribution across the portfolios
- improved collection strategies
- early interventions to reduce arrears
- the non-recurrence of several large specific and portfolio impairments raised in the prior period.

The group remains on track to implement the IFRS 9 – Financial Instruments (IFRS 9) accounting standard on 1 January 2018. The parallel run reporting process commenced in January 2017, the output of which will be used to update IFRS 9 impairment methodologies, model validation, addressing data challenges, finalising calculation engines as well as creating an understanding of business implications.

The IFRS 9 expected credit losses impairment model requirements are expected to increase the level of balance sheet impairments.

The impact of the IFRS 9 expected credit losses requirements can only be reliably determined on the date of transition to IFRS 9 with the impact being primarily dependent on the finalisation of the group's impairment methodologies, conclusion of external audit procedures as well as the credit quality and extent of the group's exposures and forward-looking economic expectations at that date. In addition to providing disclosure of the expected impact of IFRS 9 in the group's FY17 financial statements, the group will, together with its 1Q18 SENS announcement regarding its statement of changes in equity, release a transitional report which will outline the impact of the transition to IFRS 9.

The roll-out of the group's BCBS239 project deliverables has continued through 2017, with key achievements for the year to date including the roll-out of strategic data management toolsets, enhanced data governance structures and improved data remediation capabilities in both South Africa and the Africa Regions.

Compliance risk

Compliance partnered with business to support simpler integrated processes to facilitate the client experience. Awareness was raised and training provided to employees using responsive design techniques.

Significant investments in IT surveillance systems have been made. These systems and additional resources have enhanced surveillance capabilities. An enhanced due diligence function has been established in the anti-money laundering (AML) team to further support money laundering control.

The group conduct approach, including measurements and metrics, has been shared with all business units and corporate functions and this will enhance reporting on and management of governance and culture in the group.

Country risk

Political and economic challenges still associated with the recent commodity downturn have extended into 2017 in some markets, while other markets may be showing signs of recovery. We will continue to focus on optimal alignment and application of overall country risk appetite and management of country-specific risks. Risk management measures will be supplemented by ongoing refinement of the country risk operating model, portfolio management tools, and the governance framework.

Liquidity risk

The group continues to analyse the funding impact relating to the Basel III net stable funding ratio (NSFR) implementation, by managing its balance sheet structure, within specified risk appetite with the aim to optimally meet both the liquidity coverage ratio (LCR) and the NSFR requirements on an on-going basis by January 2018.

The group successfully accessed the longer-term funding market during the first half of 2017 raising R13.5 billion in the form of senior debt funding.

Daily LCR reporting is progressing with The Standard Bank of South Africa Limited (SBSA), SBSA Isle of Man branch, Stanbic Bank Ghana, Stanbic Bank Uganda, Standard Bank Isle of Man Limited and Standard Bank Jersey Limited. There are two additional countries anticipated to be producing daily LCR reporting by year end.

Work is on-going and progressing well with the funds transfer pricing methodology in line with regulatory and market developments across all entities.

Market risk

The implications of the revised trading book regulations and interest rate risk in the banking book standards recently published is a continued area of focus together with the resulting system enhancements required.

Operational risk

In a challenging macro operating environment and a continuously unfolding technological revolution, the focus for operational risk in 2017 remains financial crime risk, particularly external fraud, and technology risk which is driven by the fast pace of technology evolution. Given the growing sophistication of cyber threats and attacks, ongoing focus is also placed on the emerging threats of cyber and information risk.

Key activities for 2017 are centred on:

- management of our top and emerging risks
- building capacity and capability to utilise predictive analytics in terms of risk identification; management, mitigation and monitoring
- embedding business resilience with subject matter expertise, thereby providing assurance with global good practice and international standards
- maturing our operational risk management practices and competence
- the execution of the group's strategic objectives to deliver a client centric, digital and universal financial services organisation.

Capital management

OVERVIEW AND OBJECTIVES

The group's capital management function is designed to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ratios, both of which are approved by the board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the group's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the group's annual internal capital adequacy process (ICAAP) and recovery plan.

The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, namely the group ALCO and one of its subcommittees, the group capital management committee. The principal governance documents are the capital management governance framework and the model risk governance framework.

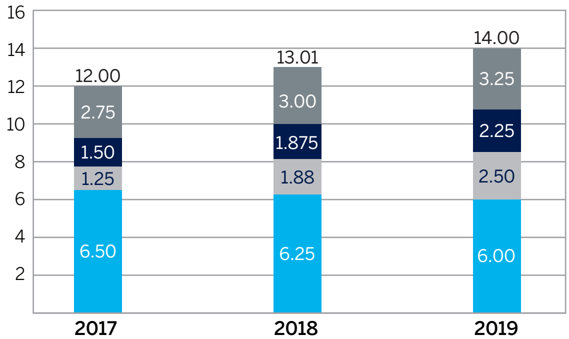
REGULATORY UPDATE

The South African Reserve Bank (SARB) adopted the Basel III framework introduced by the BCBS from 1 January 2013. The group has complied with the minimum requirements from that date. The Basel III capital adequacy requirements are subject to phase-in rules and the group is well-positioned to comply with the requirements when they become effective. The South African domestic systemically important banks (D-SIB) framework and the Basel III capital conservation and countercyclical capital buffer (CCyB) requirements came into effect from 1 January 2016 and will be phased in over a three-year period with full implementation from 1 January 2019.

The SARB has not activated a CCyB requirement for banks in South Africa, but the group is subject to CCyB requirements on exposures in other jurisdictions where these buffers apply from time-to-time. Currently, the group has private sector credit exposure to three jurisdictions that have announced CCyBs greater than zero, namely Hong Kong, Sweden and Norway. These exposures result in RWA of R97 million, R45 million and R0.1 million respectively (FY16: R40 million, R31 million and R0.1 million respectively), resulting in a buffer requirement of 0.0002% (FY16: 0.0001%).

The graph below reflects the Basel III capital requirements and phase-in periods applicable to South Africa.

South African minimum capital requirements[1]
(capital as a % of RWA) effective 1 January each year (%)



1 Graph excludes CCyB and confidential bank-specific pillar 2b capital requirement, but includes maximum potential D-SIB requirement which is also bank-specific and therefore confidential.

Annexure A of the group's 2016 year end risk and capital management report provides a summary of the regulatory and legislative developments that impact the group. In particular, the impact of IFRS 9 as well as the proposals on revised standardised approaches for credit and operational risk, a capital floor based on the standardised approaches for internal ratings-based accredited banks, proposals for the fundamental review of the trading book and the loss absorbing and recapitalisation capacity of systemically important banks may impact capital levels going forward. These proposals and implementation timelines are at different stages of finalisation.

REGULATORY CAPITAL

The group manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.

The main regulatory requirements to be complied with are those specified in the Banks Act No. 94 of 1990 (Banks Act) and related regulations, which are aligned with Basel III.

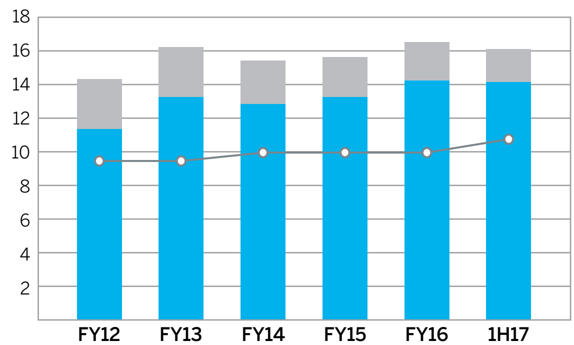
Regulatory capital adequacy is measured through the following three risk-based ratios:

- **common equity tier I (CET I):** ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total RWA.
- **tier I:** CET I and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier I capital but are currently subject to regulatory phase-out requirements over a 10-year period, which commenced on 1 January 2013.
- **total capital adequacy:** tier I plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a 10-year period, which commenced on 1 January 2013.

The ratios are measured against internal targets and regulatory minimum requirements.

The following graph discloses the group's total capital adequacy and the components thereof and indicates that the group's capital is well-above the required level of capital.

Capital adequacy[1, 2] (%)



1 Basel III was implemented on 1 January 2013. RWA and capital adequacy for 2012 are on a *pro forma* Basel III basis.
2 Group, including Liberty.

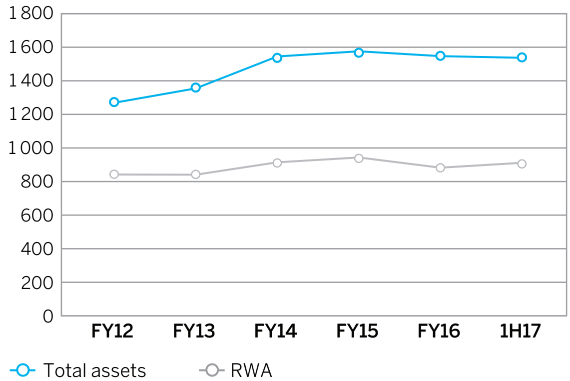
RWA are calculated in terms of the Banks Act and related regulations, which are aligned with Basel III.

The group's CET I capital, including unappropriated profit, was R124.5 billion as at 1H17 (FY16: R122.6 billion). The group's tier I capital, including unappropriated profit, was R129.5 billion as at 1H17 (FY16: R126.2 billion) and total capital, including unappropriated profit was R147.5 billion as at 1H17 (FY16: R146.3 billion).

The group issued its debut Basel III compliant AT1 capital instrument for R1.7 billion on 30 March 2017. The group has not issued Basel III compliant tier II instruments during the period under review.

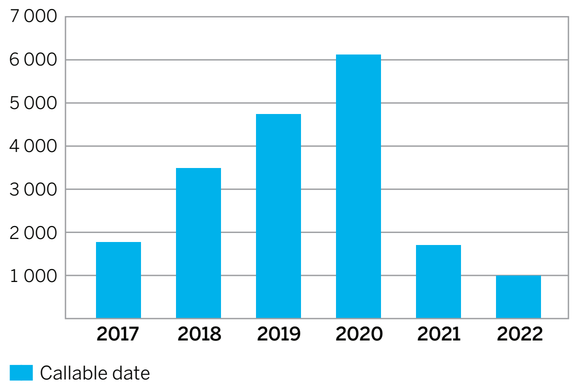
The downgrades to the South African sovereign rating and consequential downgrades in the credit ratings of South African banks in the first half of 2017 did not have a material impact on the group's capital adequacy ratios, although there was an increase in market risk RWA. Stress scenarios on capital adequacy, including the possible impact of further downgrades to the South African sovereign rating, are performed and assessed on an ongoing basis.

RWA history[1, 2] (Rbn) (closing balances)



1 Basel III was implemented on 1 January 2013. RWA for 2012 are measured on a *pro forma* Basel II basis.
2 Banking activities and other banking interests.

Maturity profile of the group's tier II instruments (Rm)



BASEL QUALIFYING CAPITAL, EXCLUDING UNAPPROPRIATED PROFITS

	1H17 Rm	FY16[1] Rm
IFRS ordinary shareholders' equity	**153 132**	150 757
Qualifying non-controlling interest	**4 821**	4 488
Less: regulatory adjustments	**(33 431)**	(32 676)
Goodwill	**(1 999)**	(2 239)
Other intangible assets	**(19 030)**	(19 289)
Shortfall of credit provisions to expected losses	**(1 969)**	(2 118)
Investments in financial entities	**(9 865)**	(8 432)
Other adjustments	**(568)**	(598)
Less: unappropriated profits	**(9 383)**	(8 168)
CET I capital	**115 139**	114 401
Qualifying other equity instruments	**4 495**	3 297
Qualifying non-controlling interest	**450**	322
Tier I capital	**120 084**	118 020
Qualifying tier II subordinated debt	**15 686**	17 773
General allowance for credit impairments	**2 338**	2 357
Tier II capital	**18 024**	20 130
Total regulatory capital	**138 108**	138 150
Total capital requirement	**97 990**	91 631
Total RWA	**911 520**	883 179

1 Audited.

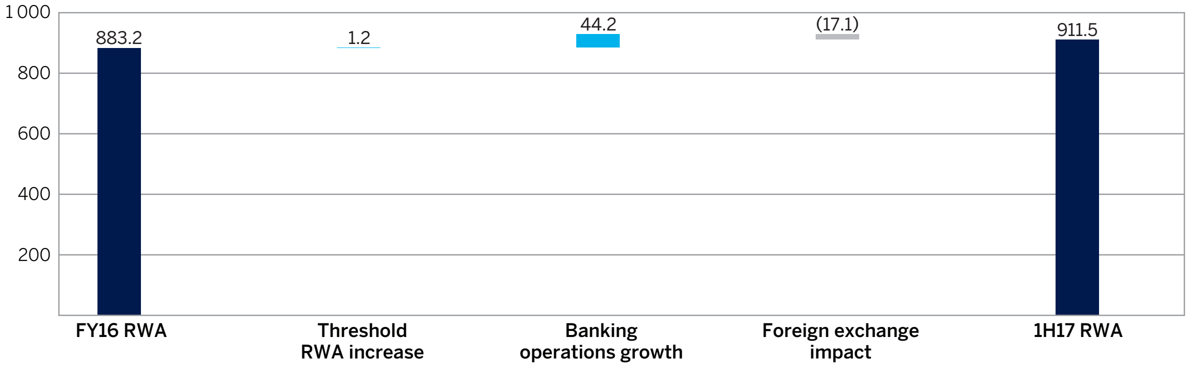
OV1: BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS

	Table reference[2]	RWA 1H17	RWA FY16	Minimum capital requirements[1] 1H17
Credit risk (excluding counterparty credit risk (CCR))		628 993	627 691	67 618
Of which standardised approach[3]	CR4	256 181	258 526	27 540
Of which internal rating-based (IRB) approach	CR6, CR7, CR8	372 812	369 165	40 078
CCR	CCR1, CCR2	20 801	21 184	2 236
Of which standardised approach		3 323	2 640	357
Of which IRB approach		17 478	18 544	1 879
Equity positions in banking book under market-based approach	CR10	7 023	6 167	755
Securitisation exposures in banking book		853	678	91
Of which IRB approach	SEC3	367	228	39
Of which IRB supervisory formula approach	SEC3	486	450	52
Of which standardised approach				
Market risk		59 373	39 444	6 383
Of which standardised approach	MR1	44 323	21 411	4 765
Of which internal model-based approach	MR2	15 050	18 033	1 618
Operational risk		154 379	149 163	16 596
Of which standardised approach (TSA)		94 149	89 971	10 121
Of which advanced measurement approach (AMA)		60 230	59 192	6 475
Amounts below the thresholds for deduction (subject to 250% risk weight)		40 098	38 852	4 311
Total		911 520	883 179	97 990

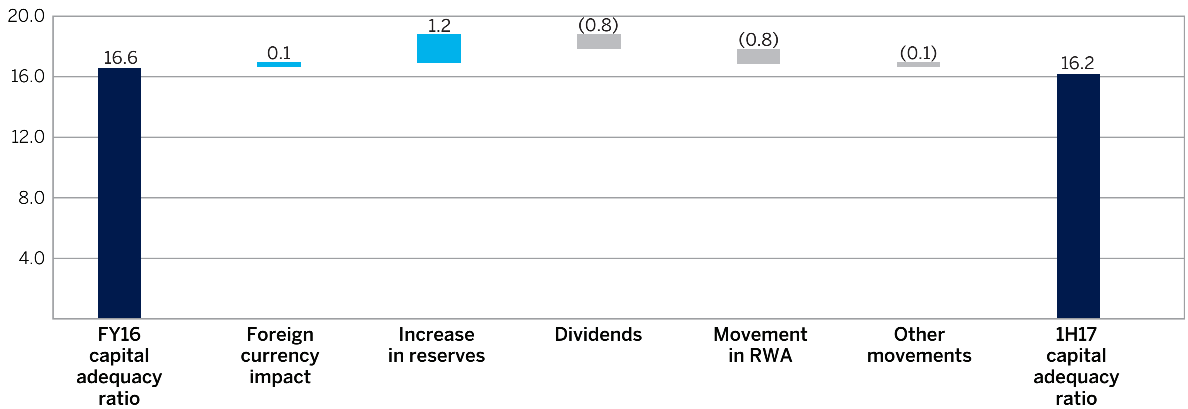
1 Capital requirement at 10.75% (FY16: 10.38%) excludes the confidential bank-specific add-ons.
2 Refer to annexure D for more information.
3 Portfolios on the standardised approach relate to the Africa Regions and portfolios for which application to adopt the internal model approach has either not been submitted, or has not been granted.

The higher RWA in 2017 is mainly attributable to growth in credit exposures, an increase in market risk from higher exposures and the downgrade to sub-investment grade of the South African sovereign by Standard & Poor and Fitch, partly offset by appreciation of the ZAR against USD and major African currencies.

RWA reconciliation (Rbn)



Total capital adequacy ratio movement (%)



CAPITAL ADEQUACY RATIOS[1]

	2017 SARB minimum regulatory requirement[2] %	Internal target ratios %	Including unappropriated profits 1H17 %	Including unappropriated profits FY16 %	Excluding unappropriated profits 1H17 %	Excluding unappropriated profits FY16 %
Total capital adequacy ratio	10.8	15.0 – 16.0	**16.2**	16.6	**15.2**	15.6
Tier I capital adequacy ratio	8.5	12.0 – 13.0	**14.2**	14.3	**13.2**	13.4
CET I capital adequacy ratio	7.3	11.0 – 12.5	**13.7**	13.9	**12.6**	13.0

1 Group, including Liberty.
2 Excludes confidential bank-specific add-ons.

CAPITAL ADEQUACY RATIOS OF BANKING SUBSIDIARIES

	Tier I host regulatory requirements %	Total host regulatory requirements %	1H17		FY16	
			Tier I capital %	Total capital %	Tier I capital %	Total capital %
Standard Bank Group	8.5[1]	10.8[1]	**14.2**	**16.2**	14.3	16.6
The Standard Bank of South Africa Group[2]	8.5	10.8	**14.1**	**16.8**	13.7	16.8
Africa Regions						
Stanbic Bank Kenya	10.5	14.5	**15.4**	**17.3**	15.4	17.6
Stanbic Bank Botswana	7.5	15.0	**10.0**	**18.1**	10.0	18.0
Stanbic Bank Ghana	5.0[4]	10.0	**15.9**	**19.4**	14.7	18.6
Stanbic Bank Tanzania	10.0	12.0	**18.9**	**20.9**	19.1	20.5
Stanbic Bank Uganda	8.0	12.0	**18.8**	**22.1**	16.6	19.9
Stanbic Bank Zambia	5.0	10.0	**17.9**	**20.7**	15.6	18.5
Stanbic Bank Zimbabwe	8.0	12.0	**22.2**	**24.9**	20.8	23.5
Stanbic IBTC Bank (Nigeria)	5.0	10.0	**14.6**	**18.7**	13.7	18.3
Standard Bank de Angola	5.0[4]	10.0	**31.1**	**36.7**	21.6	26.8
Standard Bank Malawi	10.0	15.0	**20.9**	**23.1**	19.7	22.0
Standard Bank Mauritius	8.0	10.6	**13.2**	**16.2**	32.6	41.4
Standard Bank Mozambique	4.0[4]	8.0	**22.3**	**24.1**	14.9	17.0
Standard Bank Namibia	7.0	10.0	**10.3**	**13.3**	11.5	14.0
Standard Bank RDC (Democratic Republic of Congo)	5.0	10.0	**28.0**	**39.8**	27.2	40.0
Standard Bank Swaziland	4.0	8.0	**11.8**	**14.2**	10.8	13.1
Standard Lesotho Bank	4.0	8.0	**23.3**	**16.3**	15.3	17.7
International						
Standard Bank Isle of Man		11.0	**12.5**	**13.7**	15.7	17.4
Standard Bank Jersey		12.0	**10.8**	**13.7**	10.9	14.7
Liberty Group Limited (calculated in terms of the Long-term Insurance Act[3]) – capital adequacy requirement – times covered[5]				**2.8**		3.0

1 Represents 2017 SARB Basel III minimum capital requirements, excluding confidential bank-specific add-ons.
2 Incorporating SBSA.
3 Long-term Insurance Act 52 of 1998.
4 Derived from minimum total requirements and allowable tier II.
5 Restated. Refer to page 85.

The SARB adopted the leverage framework that was issued by the BCBS in January 2014, with final calibrations expected in the latter half of 2017. Formal disclosure requirements commenced from 1 January 2015 and the ratio is expected to transition to a pillar 1 requirement by 2018.

The non-risk-based leverage measure is designed to complement the Basel III risk-based capital framework. The group's leverage ratio, inclusive of unappropriated profit, was 7.0% as at 1H17 (FY16: 6.9%), in excess of the SARB minimum requirement of 4%.

TOTAL ASSETS VS LEVERAGE RATIO[1]

	1H17 Rm	FY16 Rm
Total consolidated assets as per financial statements	**1 952 519**	1 954 290
Adjustments for investment in banking, financial, insurance and commercial entities that are consolidated	**(215 137)**	(225 436)
Adjustment for derivative financial instruments	**(27)**	(17 972)
Adjustments for securities financing transactions (SFTs) (i.e. repos and similar securities lending)	**2 614**	2 256
Adjustment for off-balance sheet items	**102 524**	103 118
Other adjustments	**(1 790)**	5 295
Leverage ratio exposure	**1 840 703**	1 821 551

1 Group, including Liberty.

LEVERAGE RATIO COMMON DISCLOSURE TABLE[1]

	1H17 Rm	FY16 Rm
On-balance sheet exposures (excluding derivatives and SFTs)	**1 531 274**	1 539 493
On-balance-sheet items (excluding derivatives and SFTs, but including collateral)	**1 564 707**	1 572 169
Assets amount deducted in determining Basel III tier I capital	**(33 433)**	(32 676)
Derivatives exposures	**53 662**	50 647
Replacement cost associated with all derivatives transactions	**13 708**	12 929
Add-on amounts for potential future exposures (PFE) associated with all derivatives transactions	**34 904**	39 694
Deductions receivables assets for cash variation margin provided in derivatives transactions	**(10 163)**	(12 083)
Exempted CCP leg of client-cleared trade exposures	**(6 352)**	(12 047)
Adjusted effective notional amount of written credit derivatives	**21 565**	22 154
Securities financing transactions exposures	**153 243**	128 293
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**150 629**	126 037
CCR exposure for SFT assets	**2 614**	2 256
Other off-balance sheet exposures	**102 524**	103 118
Off-balance sheet exposure at gross notional amount	**292 179**	313 791
Adjusted for conversion to credit equivalent amounts	**(189 655)**	(210 673)
Capital and total exposures		
Tier I capital	**120 084**	118 020
Total exposures	**1 840 703**	1 821 551
Leverage ratio		
Basel III leverage ratio	**6.5**	6.5
Basel III leverage ratio (including unappropriated profits)	**7.0**	6.9

1 Group, including Liberty.

RECONCILIATION WITH ANNUAL FINANCIAL STATEMENTS[1]

	1H17 Rm	FY16 Rm
Total consolidated assets per published financial statements	**1 952 519**	1 954 290
Derivative assets as per statement of financial position (SOFP)	**(53 690)**	(68 620)
SFTs as per the SOFP[2]	**(150 628)**	(126 037)
Total consolidated assets per published financial statements (excluding derivative and SFT assets)	**1 748 201**	1 759 633
Gross-up for cash management schemes	**31 643**	37 972
Adjustment for share of consolidated insurance assets	**(215 137)**	(225 436)
Total on-balance sheet items as per line 1 of common disclosure table	**1 564 707**	1 572 169

1 Group including Liberty.
2 SFTs are included as part of the SOFP but are not disclosed on the face of the SOFP.

ECONOMIC CAPITAL

Economic capital adequacy is the internal basis for measuring and reporting all quantifiable risks on a consistent risk-adjusted basis. The group assesses its economic capital adequacy by measuring its risk profile under both normal and stress conditions.

ICAAP considers the qualitative capital management processes within the organisation and includes the organisation's governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of the group's business models are used to assess capital requirements to be held against all risks that the group is or may become exposed to, in order to meet current and future needs, as well as to assess the group's resilience under stressed conditions.

ECONOMIC CAPITAL BY RISK TYPE

	1H17 Rm	FY16 Rm
Credit risk	**69 586**	70 680
Equity risk	**7 675**	6 805
Market risk	**1 412**	2 092
Operational risk	**12 004**	11 947
Business risk	**3 983**	3 913
Interest rate risk in the banking book	**3 700**	3 381
Economic capital requirement	**98 360**	98 818
Available financial resources	**146 387**	144 537
Economic capital coverage ratio (times)	**1.49**	1.46

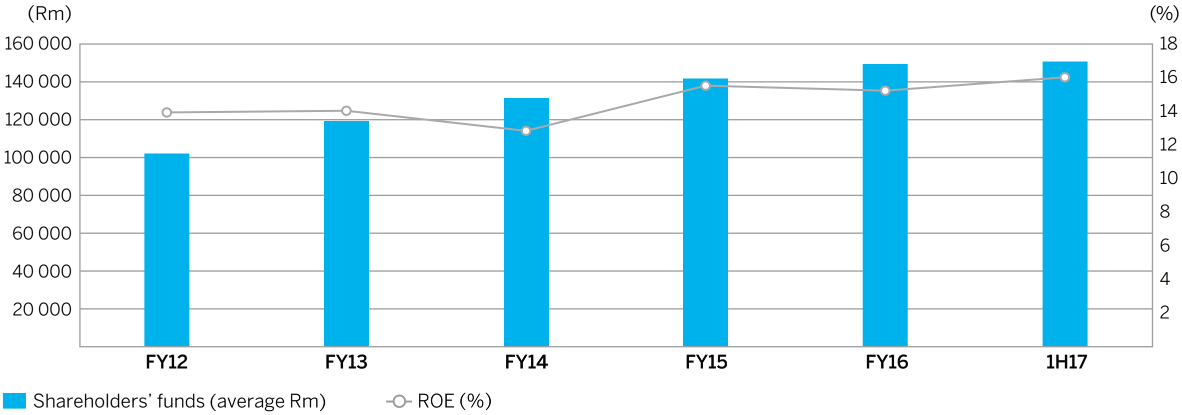
The economic capital requirement of R98.4 billion as at 1H17 (FY16: R98.8 billion) is the internal assessment of the amount of capital that is required to support the group's economic risk profile. For statistically quantifiable potential losses arising from risk types, economic capital reflects the worst-case loss commensurate with a confidence level of 99.92%.

Available financial resources refer to capital supply as defined by the group for economic capital purposes and includes capital and reserve funds after adjusting for certain non-qualifying items.

RISK-ADJUSTED PERFORMANCE MEASUREMENT

Risk-adjusted performance measurement (RAPM) maximises shareholder value by optimally managing financial resources within the board-approved risk appetite. Capital is centrally monitored and allocated, based on usage and performance in a manner that enhances overall group economic profit and return on equity (ROE). Business units are held accountable for achieving their RAPM targets. RAPM is calculated on both regulatory and economic capital measures.

Return on ordinary equity[1]



1 Group, Including Liberty.

COST OF EQUITY

The group's rand-based cost of equity (COE) is estimated using the capital asset pricing model. COE is calibrated twice a year using estimates of risk-free rate, beta and equity risk premium.

The group applied an average COE of 13.9% as at 1H17 (FY16: 14%) given estimates of the risk-free rate of 8.8% (FY16: 8.8%), equity risk premium of 6.5% (FY16: 6.5%) and a beta of 79.2% (FY16: 79%).

Risk appetite and stress testing

The key to the group's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and its strategy.

Risk appetite is set, and stress testing activities are undertaken, at a group level, in business units, in risk types and at a legal entity level.

GOVERNANCE

The primary management level governance committee overseeing risk appetite and stress testing is the group stress testing and risk appetite committee. It is chaired by the group CRO and is a subcommittee of GROC.

The principal governance documents are the risk appetite governance framework and the stress testing governance framework.

RISK APPETITE

Risk appetite governance framework

The risk appetite governance framework provides guidance on the following:

- setting and cascading of risk appetite by group, business line, risk type and legal entity
- measurement and methodology
- governance
- monitoring and reporting of the risk profile
- escalation and resolution.

The group has adopted the following definitions, where entity refers to a business line or legal entity within the group, or the group itself:

- **risk appetite:** an expression of the amount or type of risk an entity is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The metric is referred to as a risk appetite trigger
- **risk tolerance:** the maximum amount of risk an entity is prepared to tolerate above risk appetite. The metric is referred to as a risk tolerance limit
- **risk capacity:** the maximum amount of risk the entity is able to support within its available financial resources
- **risk appetite statement (RAS):** the documented expression of risk appetite and risk tolerance which have been approved by the entity's relevant governance committee. The RAS is reviewed and revised, if necessary, on an annual basis
- **risk profile:** the risk profile is defined in terms of three dimensions, namely:
  - current risk profile or forward risk profile
  - unstressed or stressed risk profile
  - pre- or post-management actions.

The current risk profile is the amount or type of risk to which the entity is currently exposed. The unstressed forward risk profile is the forward-looking view of how the entity's risk profile is expected to evolve under expected conditions. The effectiveness of available management actions can be assessed through an analysis of pre- and post-management action risk profiles against risk appetite triggers and tolerance limits.

The following diagram provides a schematic view of the three levels of risk appetite and the integral role that risk types play in the process of cascading risk appetite from dimensions such as regulatory capital, economic capital, stressed earnings and liquidity to more granular portfolio limits.

RISK APPETITE

LEVEL ONE

Risk appetite dimensions

- regulatory capital
- economic capital
- stressed earnings
- liquidity

LEVEL TWO

Risk appetite dimensions by risk type

- credit and equity risk
- operational risk
- market risk
- interest rate risk
- business risk
- liquidity risk

Capital demand/earnings at risk utilisation per risk type

LEVEL THREE

Portfolio limits by risk type

Credit and equity risk
- credit loss ratio
- non-performing loans (NPL) %
- concentrations

Operational risk
- operational risk losses % to total income

Market risk
- normal value-at-risk (VaR) and stressed VaR (SVaR) limits

Interest rate risk
- interest rate sensitivity

Business risk
- cost-to-income ratio
- RoE
- headline earnings per share (HEPS)

Liquidity risk
- NSFR
- LCR

RAS

Risk appetite statement

Executive management is responsible for recommending the group's RAS, which is then approved by the GRCMC on behalf of the board. In developing the RAS, executive management considers the group's strategy and the desired balance between risk and return. The GRCMC reviews the group's current risk profile on a quarterly basis and forward risk profile (both stressed and unstressed) at least annually.

Level one risk appetite dimensions can be either quantitative or qualitative.

Quantitative level one risk appetite dimensions relate to available financial resources and earnings volatility. The standardised quantitative dimensions used by the group, as well as legal entities and business lines, are:

- stressed earnings
- economic capital
- regulatory capital
- liquidity (short-term liquidity and term liquidity).

The group's qualitative RAS, set out below, serves as a guide for embedding the risk appetite framework to guide strategic and operational decision making across the group.

- **Capital position:** The group aims to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. The group manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance. Each banking subsidiary must further comply with regulatory requirements in the countries in which they operate
- **Funding and liquidity management:** The group's approach to liquidity risk management is governed by prudence, is in accordance with the applicable laws and regulations and takes into account the competitive environment in which each banking subsidiary operates. Each banking subsidiary must manage liquidity risk on a self-sufficient basis
- **Earnings volatility:** The group aims to have sustainable and well-diversified earning streams in order to minimise earnings volatility through business cycles
- **Reputation:** The group has no appetite for compromising its legitimacy or for knowingly engaging in any business, activity or relationship which could result in foreseeable reputational risk or damage to the group
- **Conduct:** The group has no appetite for wilful conduct failures, inappropriate market conduct or knowingly causing a breach of regulatory requirements. The group strives to meet customers' expectations for efficient and fair engagements by doing the right business, the right way, thereby upholding the trust of its customers.

Level two risk appetite represents the allocation of level one risk appetite to risk types. Specifically, the contribution of individual risk types to earnings volatility and overall capital demand (both economic and regulatory) is controlled through triggers and limits.

Level three consists of key metrics used to monitor the portfolio. Portfolio triggers and limits are required to be broadly congruent with level one and level two triggers and limits. These metrics are regularly monitored at a risk type level and ensure proactive risk management.

STRESS TESTING

Stress testing governance framework

Stress testing is a key management tool within the group and is used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite. Stress testing supports a number of business processes, including:

- strategic and financial planning
- the ICAAP, including capital planning and management, and the setting of capital buffers
- liquidity planning and management
- informing the setting of risk appetite
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures, and hedging
- facilitating the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions
- supporting communication with internal and external stakeholders, including industry-wide stress tests performed by the regulator.

Stress testing within the group is subject to the group's stress testing governance framework which sets out the responsibilities for and approaches to stress testing activities. Broadly aligned and fit-for-purpose stress testing programmes are implemented for the group to ensure appropriate coverage of the different risks.

Stress testing programme

The group's stress testing programme uses one or a combination of stress testing techniques, including scenario analysis, sensitivity analysis and reverse stress testing to perform stress testing for different purposes.

Groupwide macroeconomic stress testing

Macroeconomic stress testing is conducted across all major risk types on an integrated basis for a range of economic scenarios varying in severity from mild to very severe but plausible macroeconomic shocks. The impact, after consideration of mitigating actions, on the group's income statement, SOFP and capital demand and supply of the group is measured against the group's risk appetite.

Macroeconomic stress testing for the group and SBSA is performed, as a minimum, once a year for selected scenarios that are specifically designed by a scenario working group targeting the group's risk profile, geographical presence and strategy.

Group and SBSA macroeconomic stress testing results are presented at a board level in order to consider whether the group's risk profile is consistent with the group's risk appetite buffer. Groupwide macroeconomic stress testing results are submitted as part of the annual ICAAP.

Additional stress testing

Groupwide macro-economic stress testing results are supplemented with additional ad hoc stress testing at the group, legal entity, business line, sector, or risk type level that may be required from time-to-time for risk management or planning purposes. The purpose of this stress testing is to inform management of risks that may not yet form part of routine stress testing or where the focus is on a specific portfolio or business unit. Additional stress testing can take the form of either scenario analysis or sensitivity analysis. This type of stress testing will be performed and governed at the appropriate group, legal entity, business line, or risk type level.

Supervisory stress tests

From time-to-time, a regulator may call for the group or a legal entity to run a supervisory stress test or common scenario with prescribed assumptions and methodologies. The purpose of these stress test requests could be for the regulator to assess the financial stability of the entire financial sector, or targeted stress tests where the regulator may have a specific concern regarding a specific asset class or other potential stress event.

Business model stress testing

Business model stress testing utilises the reverse stress testing technique to explore vulnerabilities in a particular strategy or business model. The outcome does not necessarily target business or bank failure, but rather seeks to inform what could have a severe impact, given a plausible but in most cases highly improbable event within a given set of circumstances and assumptions.

Stress testing for the recovery plan

As part of the annual review of the group's recovery plan, the group's procedures require the execution of stress tests in order to test the effectiveness of the recovery options proposed in the recovery plan, and to provide guidance on the selection of early warning indicators. The range of scenarios that are considered include both systemic, group-specific and combination events, as well as fast- and slow-moving scenarios.

Risk type stress testing

Risk type stress tests apply to individual risk types. Risk type stress testing could take the form of scenario or sensitivity analysis.

Credit risk

DEFINITION

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due.

It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

APPROACH TO MANAGING AND MEASURING CREDIT RISK

The group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. To the extent that equity risk is held on the banking book, it is also managed under the credit risk governance framework, except in so far as approval authority rests with ERC.

The management of credit risk is aligned to the group's three lines of defence framework. The business function owns the credit risk assumed by the group and as the first line of defence is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. Further second-line oversight is provided by the group risk function through independent credit risk assurance.

The third line of defence is provided by GIA, under its mandate from the GAC.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level

- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the group's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD).

Pre-settlement CCR inherent in trading book exposures is measured on a PFE basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

GOVERNANCE

Credit risk is governed in accordance with the group's comprehensive RCCM framework as defined and detailed in the group credit risk governance standard and the model risk governance framework.

The purpose of the group credit risk governance standard is to establish and define the principles under which the group is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in the group. The standard is supported by underlying policies and procedures within the business units.

The group's credit governance process relies on both individual responsibility and collective oversight, supported by comprehensive and independent reporting. This approach balances strong corporate oversight at a group level, with participation by the senior executives of the group and its business units, in all significant risk matters.

The GRCMC is the principal board subcommittee ultimately responsible for the oversight of credit risk. GROC is responsible for credit risk management governance, effected through its subcommittees, which include the CIB and PBB credit governance committees, the group ERC and the intragroup exposure committee. These governance committees are key components of the credit risk management framework. They have clearly defined mandates and delegated authorities, which are reviewed regularly. Their mandates include responsibility for credit concentration risk decision making and delegation thereof to credit officers and subcommittees within defined parameters.

Key aspects of rating systems and credit risk models are approved by the PBB, CIB and group model approval committees, all of which are mandated by the board as designated committees. Regular model validation and reporting to these committees is undertaken by the independent central validation function.

CREDIT PORTFOLIO ANALYSIS

The credit quality of the group's on and off balance sheet assets is reflected in table CR1 below through the disclosure of the gross carrying values of both defaulted and non-defaulted exposures, as well as the net exposures after impairments and allowances. Table CR2 presents the movement in the balance of defaulted exposures for the reporting period, including loans and debt securities that have defaulted since the last reporting period, those that have returned to default status and the amounts that have been written off.

CR1: CREDIT QUALITY OF ASSETS

	Gross carrying values of				
	Defaulted exposures (a) Rm	Non-defaulted exposures (b) Rm	Total exposures	Allowances/ impairments[1] (c) Rm	Net values (a+b-c) Rm
1H17					
Loans[2]	**35 591**	**1 006 340**	**1 041 931**	**22 738**	**1 019 193**
Debt securities and other investments	**78**	**191 538**	**191 616**	**78**	**191 538**
On-balance sheet exposures	**35 669**	**1 197 878**	**1 233 547**	**22 816**	**1 210 731**[3]
Off-balance sheet exposures	**555**	**281 939**	**282 494**		**282 494**
Total	**36 224**	**1 479 817**	**1 516 041**	**22 816**	**1 493 225**
	CR2				
FY16					
Loans[2]	34 426	1 004 915	1 039 341	21 793	1 017 548
Debt securities		155 227	155 227		155 227
On-balance sheet exposures	34 426	1 160 142	1 194 568	21 793	1 172 775[3]
Off-balance sheet exposures	431	288 342	288 773		288 773
Total	34 857	1 448 484	1 483 341	21 793	1 461 548
	CR2				

1 As reported in the annual financial statements.
2 Included in loans are placements with central banks outside of South Africa. Placements under resale agreement are included within the CCR framework and excluded from credit risk.
3 Refer to CR3.

CR2: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

	1H17 Rm	FY16 Rm
Defaulted loans and debt securities at beginning of period	**34 857**	37 798
Loans and debt securities that have defaulted since the last reporting period	**11 970**	20 644
Returned to non-defaulted status	**(4 487)**	(12 271)
Amounts written off[1]	**(3 615)**	(8 229)
Other changes	**(2 101)**	(3 085)
Defaulted loans and debt securities at end of period	**36 224**	34 857
	CR1	CR1

1 As reported in the FY16 annual financial statements and interim analysis of results.

APPROVED REGULATORY CAPITAL APPROACHES

The group has approval from the SARB to adopt the advanced IRB (AIRB) approach for most credit portfolios in SBSA. The group has adopted the standardised approach for its Africa Regions portfolios and for some of its less material subsidiaries and portfolios. The group has approval from the SARB to adopt either the market-based or the probability of default (PD)/loss given default (LGD) approaches for material equity portfolios, with the latter applied to equity held on the banking book.

Standardised approach

The calculation of regulatory capital is based on a risk weighting and the net counterparty exposures after recognising a limited set of qualifying collateral. The risk weighting is based on the exposure characteristics and, in the case of corporate, bank and sovereign exposures, the external agency credit rating of the counterparty.

For bank and certain corporate asset class credit exposures on the standardised approach the group makes use of the ratings of two regulatory-approved external credit assessment institutions, Fitch and Moody's.

With respect to mainly sovereign credit exposures subject to the standardised approach (particularly in the Africa Regions) reference is also made to the export credit ratings issued by the Organisation for Economic Cooperation and Development. The group applies issuer ratings to calculate risk weights and will only apply an issuer-specific rating in the event that it invests in a particular issue that has an issue-specific assessment.

Regulatory capital for the credit risk arising on the owner-occupied sub-portfolio of the commercial property finance portfolio in South Africa was calculated on the standardised approach. Application had been made to and approval was granted by the regulator for this portfolio to be managed on the AIRB approach. The model has now been recalibrated and the portfolio has migrated to the AIRB approach.

The credit rating scale in the next section is used for the alignment with the group's master rating scale. In the case of obligors for which there are no credit ratings available, exposures are classified as unrated for determining regulatory capital requirements.

The table that follows presents the breakdown of credit risk exposures under the standardised approach by Basel asset class and risk weight. The total credit exposure amount represents on- and off-balance sheet amounts before application of credit risk mitigation (CRM) and credit conversion factors (CCF). The capital requirements calculation is based on the amounts after also considering write-offs and allowances.

CR5: STANDARDISED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

Risk weights	0%	10%	20%	35%	40%	50%
1H17						
Asset classes						
Corporate				**4 983**		**24**
SME corporate						**84**
Public sector entities						**958**
Local governments and municipalities						**69**
Sovereign	**38 607**		**2 143**			**3 586**
Banks			**3 426**			**23 793**
Securities firms			**9**			**93**
Retail mortgage advances				**10 362**		**147**
Retail revolving credit						**76**
SME retail						**52**
Other retail						**226**
Securitisation and re-securitisation exposure						
Other assets	**35 806**		**325**			
Total	**74 413**		**5 903**	**15 345**		**29 108**
FY16						
Asset classes						
Corporate		644	488	7 069	711	1 325
SME corporate		1 721	432	916	808	2 190
Public sector entities						1 958
Local governments and municipalities						62
Sovereign	19 449		2 021			3 416
Banks			3 492			23 201
Securities firms						95
Retail mortgage advances		284	91	2 567	4 327	2 249
Retail revolving credit						1 203
SME retail						
Other retail						208
Securitisation and re-securitisation exposure						
Other assets	49 765		54			
Total	69 214	2 649	6 578	10 552	5 846	35 907

75%	100%	150%	225%	350%	650%	1 250%	Others	Total credit exposures amount (post-CCF and post CRM)
	41 488	**288**						**46 783**
	37 156	**267**						**37 507**
	3 100							**4 058**
	7							**76**
	81 060							**125 396**
	103							**27 322**
								102
2 334	**1 217**							**14 060**
18 975	**1 301**	**71**						**20 423**
7 074	**3 157**	**87**						**10 370**
4 005								**4 231**
	28 549						**16 039**	**80 719**
32 388	**197 138**	**713**					**16 039**	**371 047**
								CR4
6 362	35 682	418						52 699
5 111	32 969	541						44 688
	3 292							5 250
	18							80
	73 337							98 223
								26 693
								95
3 335	4 021	1						16 875
17 580								18 783
12 161	1 422							13 583
2 783								2 991
	18 360			136			12 284	80 599
47 332	169 101	960		136			12 284	360 559
								CR4

Internal ratings-based approach

Introduction

Under the IRB regulatory capital approaches, the calculation of regulatory capital is based on an estimate of EAD and a risk weighting. The risk weighting is based on asset class, and estimates of PD, LGD, and maturity. Under the AIRB approach all the parameters need to be estimated internally, while only PD is estimated internally under the foundation IRB approach. EAD, LGD and maturity are regulatory-prescribed under the foundation IRB approach.

Model development is governed by a group model risk governance framework, which applies to all models used in the assessment of credit risk, including but not limited to models used for the IRB approaches. Credit risk model development is conducted within the independent risk function, while validation is independently undertaken by a quantitative analytics function.

All IRB models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low-default portfolios, internal data is supplemented with external benchmarks and studies. Models are subjected to validation to demonstrate the reliability of the model's output.

Model validation takes place when a model is first designed and annually thereafter, or when there are material changes to the model or when rating systems are replaced or enhanced. Models are thus assessed frequently to ensure ongoing appropriateness as business environments and strategic objectives change, and are recalibrated annually using the most recent internal data. Any changes to models or to model outputs are controlled through access rights and

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

Total (all portfolios)[1]

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**143 607**	**41 860**	**57.88**	**169 976**	**0.04**
0.15 to < 0.25	**78 932**	**35 124**	**53.29**	**98 487**	**0.21**
0.25 to < 0.50	**181 566**	**72 919**	**45.04**	**215 854**	**0.39**
0.50 to < 0.75	**106 897**	**21 252**	**43.46**	**116 792**	**0.63**
0.75 to < 2.50	**253 791**	**36 022**	**53.88**	**272 699**	**1.38**
2.50 to < 10.00	**116 887**	**12 551**	**51.84**	**123 201**	**4.37**
10.00 to < 100.00	**41 010**	**1 565**	**63.48**	**42 509**	**26.5**
100.00 (default)	**30 237**	**554**	**53.88**	**30 536**	**100.00**
Sub-total	**952 927**	**221 847**	**50.01**	**1 070 054**	**4.93**
FY16					
0.00 to < 0.15	138 279	45 363	61.14	171 068	0.04
0.15 to < 0.25	73 363	40 337	48.67	94 963	0.21
0.25 to < 0.50	181 091	60 804	50.76	211 894	0.39
0.50 to < 0.75	108 942	28 823	47.02	121 889	0.64
0.75 to < 2.50	237 519	35 719	54.38	252 605	1.39
2.50 to < 10.00	125 350	14 581	55.52	129 398	4.32
10.00 to < 100.00	40 637	1 524	74.26	41 628	26.19
100.00 (default)	28 262	430	50.00	28 477	100.00
Sub-total	933 443	227 581	52.86	1 051 922	4.79

1 Refer to annexure A for credit risk exposures per portfolio.
2 Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes in annexure A since an obligor may be present in more than one asset class.

are subject to approval at the relevant business unit or group governance committee.

Ongoing overall South African supervisory approval of the approach taken by the group to model its exposure to credit risk on the IRB approach, as well as for all credit risk models used for regulatory capital purposes, is obtained primarily by way of an annual self-assessment. The assessment addresses all aspects of model design, the rating structure and criteria for ratings, the assessment horizon, integrity of the rating process, governance around rating overrides, maintenance of data, stress tests for capital adequacy, integrity of estimates used and validation of the models.

The technical aspects of model usage, model development, model monitoring and model validation are reviewed by a technical committee. The outcomes of model technical discussions are reported to the relevant model approval committee.

GIA is responsible, within its regular audits, for expressing an opinion on the extent of compliance with the model risk governance framework and for reviewing model inputs.

The table CR6 provides information on the main parameters used for the calculation of capital requirements for exposures under the IRB approach. Note the following:

- the original on-balance sheet gross exposure is gross of accounting provisions and does not include the effect of credit risk mitigation techniques
- the off-balance sheet exposure pre-CCF is the exposure value without taking into account accounting provisions, CCF and the effect of CRM techniques
- average CCF is the EAD post-conversion factor for off-balance sheet exposure to total off-balance sheet exposure pre-CCF
- average PD and LGD are weighted by EAD
- average maturity is provided only for those asset classes where it is used for the RWA calculation and is weighted by EAD
- RWA density is total RWA to EAD post-CRM and post-CCF.

Number of obligors[2]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	Expected loss Rm	Provisions Rm
191 887	**32.02**	**1.5**	**15 600**	**9.18**	**26**	
134 892	**21.80**	**1.8**	**16 852**	**17.11**	**44**	
441 460	**22.49**	**2.3**	**59 958**	**27.78**	**191**	
323 310	**19.93**	**2.3**	**29 919**	**25.62**	**145**	
1 251 802	**28.20**	**2.1**	**117 132**	**42.95**	**1 109**	
1 863 903	**34.66**	**2.0**	**80 985**	**65.73**	**1 896**	
745 776	**31.70**	**1.9**	**47 047**	**110.68**	**3 506**	
303 400	**34.94**	**2.9**	**5 319**	**17.42**	**13 245**	
5 256 400	**27.24**	**2.1**	**372 812**	**34.84**	**20 162**	**18 221**
			OV1 CR7 CR8			
249 250	32.73	1.5	18 908	11.05	37	
167 632	23.38	1.8	17 779	18.72	47	
405 433	21.43	2.2	52 478	24.77	175	
366 569	22.23	2.2	36 595	30.02	172	
1 257 689	28.42	2.1	109 642	43.40	1 038	
1 921 629	34.27	1.9	85 576	66.13	1 948	
628 396	30.88	1.5	46 529	111.77	3 340	
290 836	34.45	2.3	1 658	5.82	12 542	
5 287 434	27.52	2.0	369 165	35.09	19 299	17 153
			OV1 CR7 CR8			

IRB risk components

Probability of default

PD is calculated using actual historical default rates, and in the case of retail exposures calibrated to a specific behaviour scorecard using a monotonic calibration technique that ensures a clear ranking of risk by mapping higher scores to lower PDs and vice versa. The estimates are adjusted to the long-run average default rate (through-the-cycle) to cater for potential downturn economic conditions.

The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio.

The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision making, managing credit risk exposures and measuring impairments against credit exposures.

The table below describes the internally defined relationship between the group master rating scale, generally accepted defined investment grades, the group's credit quality definitions and external rating scales.

CREDIT RATING SCALES

GROUP MASTER RATING SCALE	GRADING	CREDIT QUALITY	MOODY'S INVESTOR SERVICES	STANDARD & POOR'S	FITCH[1]
1 – 4	Investment grade	Normal monitoring	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-
5 – 7			A1, A2, A3	A+, A, A-	A+, A, A-
8 – 12			Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-
13 – 21	Sub-investment grade		Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-
22 – 25		Close monitoring	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-
Default	Default	Default	C	D	D

1 During 2015, Fitch withdrew the Financial Services Board registration of their South African subsidiary. Their grades are retained in this table to cater for exposures that still reference Fitch.

Loss given default

The LGD is the amount of a counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD. LGD measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation.

LGD is calculated using the workout method (discounted cash flows). Forecasting is performed for accounts that are still in default at the end of the outcome period. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates in a downturn period.

Exposure at default

EAD captures the potential impact of changes in exposure values, for example: potential drawdowns against unutilised facilities; missed payments; repayments of capital; and potential changes in CCR positions due to changes in market prices. By using historical data, it is possible to estimate an account's average utilisation of limits, recognising that the exposure value at point of default may differ to that at the balance sheet date given the aforementioned reasons.

Expected loss

The IRB expected loss (EL) provides a measure of the value of the through-the-cycle credit losses that may reasonably be expected to occur over a 12-month period in the portfolio.

To the extent that IFRS provisions may be insufficient to cover the EL in the credit portfolio, the difference is deducted from qualifying capital (referred to as 'shortfall of credit provisions to expected losses' in the group's qualifying capital reconciliation). In its most basic form the EL can be calculated as the product of PD, EAD and LGD.

Credit conversion factors

The group applies a regulatory-approved CCF to convert undrawn limits and other non-derivative off-balance sheet exposures to an equivalent EAD. The CCF is used to estimate the EAD for non-defaulted accounts. A downturn adjustment is made to cater for potential downturn economic conditions.

Use of internal estimates

The group's credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring
- pricing transactions
- determining portfolio impairment provisions
- calculating economic capital.

KEY PORTFOLIO MODELS

The group makes use of the following key models for its credit risk regulatory capital purposes:

- credit rating models for corporate exposures, with distinctions made between South Africa, Africa Regions, small and medium enterprises (SME) and Standard Bank International
- CIB portfolio, distinct credit rating models are used for exposures to banks, sovereigns, local government, brokers, hedge funds, pension funds, asset managers, long- and short-term insurers, property finance (both developer and investor cash flow) and project finance respectively
- in the retail and personal lending segments, behavioural scorecard models are used for retail cheque portfolio, retail SME, card, personal loans, home loans, retail and corporate SMEs, vehicle and asset finance, Blue Banner securitisation vehicle RC1 Proprietary Limited, pension-backed lending, Diners Club S.A. card and access loans.

PD, EAD and LGD modelling is integral to all of the models and portfolios detailed above.

Portfolios

Corporate, sovereign and bank portfolios

Corporate entities include large companies, as well as SMEs that are managed on a relationship basis or have a combined exposure to the group of more than R12 million. Corporate exposures also include specialised lending (project, object and commodity finance, as well as income-producing real estate), public sector entities and derivative trading counterparties.

Sovereign and bank borrowers include sovereign government entities, central banks, local and provincial government entities, bank and non-bank financial institutions.

The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, coupled with a detailed qualitative analysis of the entity together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity.

Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, in so far as the group relies only on repayment from the cash flows generated by the underlying assets financed.

Retail portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs.

Qualifying retail revolving exposure (QRRE) relates to current accounts, credit cards and revolving personal loans and products, and includes both drawn and undrawn exposures.

Retail other covers other branch lending and vehicle finance for retail, personal, and small and medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account.

Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience.

The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

Equity portfolio

Equity risk held in the banking book is substantively controlled in accordance with the credit risk governance standard, except in so far as it is approved and overseen under the mandate of the ERC rather than under the normal credit risk delegated authority structures.

CONCENTRATION RISK

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The group's credit risk portfolio is well-diversified. The group's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing.

CREDIT RISK MITIGATION

Wherever warranted, the group will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where the group has an unassailable legal title, the group's policy requires collateral to meet certain criteria for recognition in LGD modelling, including:

- being readily marketable and liquid
- being legally perfected and enforceable
- having a low valuation volatility
- being readily realisable at minimum expense
- having no material correlation to the obligor credit quality
- having an active secondary market for resale.

The main types of collateral obtained by the group for its banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- pledge and cession of financial assets
- bonds over plant and equipment
- the underlying movable assets financed under leases and instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the group typically uses internationally recognised and enforceable International Swaps and Derivatives Association agreements, with a credit support annexure.

Netting agreements, such as collateral under the credit support annexure of an International Swaps and Derivatives Association agreement, are only obtained where the group firstly has a legally enforceable right to offset credit risk by way of such an agreement, and secondly where the group has the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. The group has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, is due mainly to macro factors and is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the group implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

CR3: CRM TECHNIQUES – OVERVIEW

	Exposures unsecured: carrying amount[1] Rm	Exposures secured[1] Rm	Total Rm	Exposures secured by collateral Rm	Exposures secured by collateral, of which secured amount Rm	Exposures secured by financial guarantees Rm	Exposures secured by financial guarantees, of which; secured amount Rm	Exposures secured by credit derivatives Rm	Exposures secured by credit derivatives, of which; secured amount Rm
1H17									
Loans	**450 373**	**568 820**	**1 019 193**	**550 978**	**547 599**	**14 773**	**12 167**	**3 069**	**2 480**
Debt securities	**190 884**	**654**	**191 538**			**654**	**654**		
Off-balance sheet exposures	**272 253**	**10 241**	**282 494**	**8 235**	**3 947**	**2 006**	**1 934**		
Total	**913 510**	**579 715**	**1 493 225**	**559 213**	**551 546**	**17 433**	**14 755**	**3 069**	**2 480[2]**
Of which defaulted	**7 292**	**13 646**	**20 938**	**13 646**	**13 646**				
FY16[3]									
Loans	473 212	544 336	1 017 548	529 894	525 958	10 577	8 654	3 866	2 711
Debt securities	154 618	609	155 227			609	609		
Off-balance sheet exposures	275 333	13 440	288 773	11 582	9 824	1 859	1 859		
Total	903 163	558 385	1 461 548	541 476	535 782	13 045	11 122	3 866	2 711
Of which defaulted	7 876	12 996	20 872	12 996	12 996				

1 Exposures are net of impairments.
2 Refer to CR1.
3 Restated. Refer to page 85.

CR7: IRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

	1H17		FY16	
	Pre-credit derivatives RWA Rm	**Actual RWA Rm**	Pre-credit derivatives RWA[1] Rm	Actual RWA Rm
Corporate	**128 081**	**127 709**	129 826	129 504
Other asset classes[2]		**245 103**		239 661
Specialised lending – high volatility commercial real estate (property development)		**10**		302
Specialised lending – income producing real estate		**4 915**		4 306
Specialised lending – project finance		**9 557**		11 455
SME corporate		**12 880**		10 310
Securities firms		**58**		268
Sovereign		**6 369**		4 961
Public sector entities		**7 637**		6 281
Local governments and municipalities		**1 787**		1 467
Banks		**12 518**		16 794
Retail mortgages		**90 780**		88 535
QRRE		**48 705**		46 056
Retail – other		**18 478**		18 236
SME retail		**24 890**		24 680
Equity		**6 519**		6 010
Total (all portfolios)		**372 812**		369 165
		OV1 CR6		OV1 CR6

1 Restated. Refer to page 85.
2 Other asset classes' pre-credit derivatives RWA is equivalent to actual.

CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Asset classes	On-balance sheet amount Rm	Off-balance sheet amount Rm	On-balance sheet amount Rm	Off-balance sheet amount Rm	RWA Rm	RWA density %
1H17						
Corporate	**45 250**	**22 078**	**37 996**	**6 741**	**43 363**	**97**
SME corporate	**34 734**	**17 015**	**34 057**	**4 088**	**36 718**	**96**
Public sector entities	**3 960**	**1 113**	**3 958**	**132**	**4 362**	**107**
Local governments and municipalities	**76**		**76**		**42**	**55**
Sovereign	**124 582**	**1**	**124 513**		**82 505**	**66**
Banks	**22 485**	**7 335**	**22 479**	**3 923**	**11 877**	**45**
Securities firms	**12**	**90**	**12**	**90**	**48**	**47**
Retail mortgage advances	**16 188**	**2 044**	**16 188**		**9 793**	**60**
Retail revolving credit	**20 701**	**3 401**	**20 699**		**22 765**	**110**
SME retail	**7 809**	**5 823**	**7 331**	**3 814**	**12 097**	**109**
Other retail	**3 683**	**1 467**	**3 682**	**548**	**3 997**	**94**
Other assets	**80 719**		**80 719**		**28 614**	**35**
Total	**360 199**	**60 646**	**351 710**	**19 337**	**256 181**	**69**
Sum of exposures post-CCF and CRM[1]			**371 047**			
			CR5		OV1	
FY16						
Corporate	46 286	19 022	42 254	10 445	45 321	86
SME corporate	43 349	19 793	43 349	594	46 199	105
Public sector entities	4 780	1 335	4 780	470	4 047	77
Local governments and municipalities	80		80		42	53
Sovereign	98 881	14	98 868		77 821	79
Banks	21 431	8 838	21 432	5 261	11 912	45
Securities firms	5	590	5	190	148	76
Retail mortgage advances	16 053	1 446	16 053	822	9 363	55
Retail revolving credit	18 783	2 158	18 783		21 011	112
SME retail	9 558	6 592	9 558	4 025	13 673	101
Other retail	2 564	1 404	2 564	427	2 125	71
Other assets	80 599		80 599		26 864	33
Total	342 369	61 192	338 325	22 234	258 526	72
Sum of exposures post-CCF and CRM[1]			360 559			
			CR5		OV1	

[1] On- and off-balance sheet exposures.

The table that follows explains the variations in credit RWA under the IRB approach attributable to each of the key risk drivers. Note the following:

- asset size represents organic changes in the book size and composition
- asset quality represents changes due to changes in borrower risk, such as risk grade migration or similar effects
- foreign exchange movements are changes driven by changes in foreign exchange rates.

CR8: IRB – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES

	RWA amounts Rm
RWA as at FY16	**369 165**
Asset size	**9 245**
Asset quality	**(4 514)**
Foreign exchange movements	**2 134**
Other	**(3 218)**
RWA as at 1H17	**372 812**
	CR6 OV1 CR7

COUNTERPARTY CREDIT RISK

The group is exposed to CCR through movements in the fair value of securities financing and derivatives contracts. The risk amounts reflect the aggregate replacement costs that would be incurred by the group in the event of counterparties defaulting on their obligations.

The group's exposure to CCR is affected by the nature of the trades, the creditworthiness of the counterparty, and underlying netting and collateral arrangements. CCR is measured in PFE terms and recognised on a net basis where netting agreements are in place and are legally enforceable, or otherwise on a gross basis. Exposures are generally marked-to-market daily. Cash or near cash collateral is posted where contractually provided for.

Demand for economic capital, as a risk appetite dimension, is allocated to risk types (including CCR) in accordance with the group risk appetite governance framework, and serves as the basis for the setting of internal CCR appetite limits against which aggregate risk type exposure can be measured.

CCR, reflecting both pre-settlement and settlement risk, is subjected to explicit credit limits which are formulated and approved for each counterparty and economic group, with specific reference to its credit rating and other credit exposures to that counterparty.

In the event of a rating downgrade, the collateral that the group would have to provide is dependent on a number of variables, including the netting of existing positions and a reduction in the threshold above which collateral would have to be posted with counterparties to cover the group's negative mark-to-market. With respect to additional collateral that the group may be required to lodge with trading counterparties in the event of a rating downgrade refer to page 66.

Replacement cost: for trades that are not subject to margining requirements, the replacement cost is the loss that would occur if a counterparty were to default and its transactions closed immediately. For margined trades, it is the loss that would occur if a counterparty were to default at present or at a future date, assuming that the closeout and replacement of transactions occur instantaneously. However, close-out of a trade upon a counterparty default may not be instantaneous. The replacement cost under the current exposure method is determined by marking contracts to market.

PFE is any potential increase in exposure between the present and up to the end of the margin period of risk. The PFE for the current exposure method is determined by applying a prescribed add-on factor to the underlying notional amount to determine the PFE over the life of the contract.

Effective expected positive exposure is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval.

EAD post-CRM refers to the amount that is relevant for the capital requirements calculation having applied CRM techniques, credit valuation adjustments (CVA) and specific wrong-way adjustments.

CCR1: ANALYSIS OF CCR EXPOSURE BY APPROACH

	Replacement cost Rm	PFE Rm	Alpha used for computing regulatory EAD	EAD post-CRM Rm	RWA Rm
1H17					
Current exposure method (for derivatives)	**44 880**	**54 895**	**1.4**	**34 222**	**11 904**
Comprehensive approach for CRM (for SFTs)				**6 930**	**1 352**
Total	**44 880**	**54 895**		**41 152**	**13 256**
CVA from CCR2					**7 427**
CCP and default funds from CCR8					**118**
Total					**20 801**
					OV1
FY16					
Current exposure method (for derivatives)	61 752	53 787	1.4	35 081	11 605
Comprehensive approach for credit risk mitigation (for SFTs)				9 120	2 488
Total	61 752	53 787		44 201	14 093
CVA from CCR2					6 827
CCP and default funds from CCR8					264
Total					21 184
					OV1 CCR2

CCR2: CVA CAPITAL CHARGE

	1H17		FY16[1]	
	EAD post-CRM Rm	RWA Rm	EAD post-CRM Rm	RWA Rm
All portfolios subject to the standardised CVA capital charge	**34 222**	**7 427**	33 378	6 827
Total subject to the CVA capital charge	**34 222**	**7 427**	33 378	6 827

[1] Figures have been reclassified to take into account CCR8 CCP and default funds.

CCR3: STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

Risk weight	20%	50%	100%	Others	Total credit exposure	Reference
1H17						
Regulatory portfolios						
Corporate			1 502		1 502	
SME corporate			225		225	
Public sector entities						
Local governments and municipalities						
Sovereign			1 015		1 015	
Banks	310	149			459	
Securities firms	282				282	
Retail exposure						
Retail mortgage advances						
Retail revolving credit						
SME retail						
Other retail						
Securitisation and resecuritisation exposure						
Total	592	149	2 742		3 483	
EAD					36 600	CCR4
Total					40 083	CCR1
FY16						
Regulatory portfolios						
Corporate			1 402		1 402	
SME corporate			200		200	
Public sector entities			5		5	
Local governments and municipalities			1		1	
Sovereign			610		610	
Banks	546	151	237		934	
Securities firms	210	34			244	
Retail exposure						
Retail mortgage advances						
Retail revolving credit						
SME retail						
Other retail						
Securitisation and resecuritisation exposure						
Total	756	185	2 455		3 396	
EAD					40 805	CCR4
Total					44 201	CCR1

The table below provides information on all the relevant parameters used for the calculation of CCR capital requirements under the IRB approach. To note:

- EAD post-CRM is the EAD as calculated under the applicable CCR approach and after applying CRM but gross of accounting provisions
- number of obligors correspond to the number of individual PDs in a band
- average PD and LGD are weighted by EAD
- RWA density is total RWA to EAD post-CRM

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

Total (all portfolios)[1]

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15	**26 411**	**0.06**	**76**	**39.19**	**1.43**	**4 869**	**0.18**
0.15 to < 0.25	**6 359**	**0.18**	**66**	**39.60**	**2.05**	**2 657**	**0.42**
0.25 to < 0.50	**2 426**	**0.41**	**181**	**36.32**	**2.70**	**1 407**	**0.58**
0.50 to < 0.75	**751**	**0.64**	**110**	**33.79**	**3.05**	**489**	**0.65**
0.75 to < 2.50	**529**	**1.39**	**164**	**41.11**	**2.68**	**511**	**0.97**
2.50 to < 10.00	**121**	**3.63**	**58**	**47.20**	**1.62**	**167**	**1.38**
10.00 to < 100.00	**3**	**11.64**	**2**	**61.93**	**1.08**	**8**	**2.69**
100.00 (default)							
Sub-total	**36 600**	**0.15**	**657**	**39.02**	**1.67**	**10 108**	**0.28**
FY16							
0.00 to < 0.15	27 975	0.06	74	39.28	1.60	5 819	0.21
0.15 to < 0.25	6 056	0.18	66	38.74	1.90	2 263	0.37
0.25 to < 0.50	4 382	0.39	171	35.66	1.80	1 870	0.43
0.50 to < 0.75	774	0.64	95	36.44	2.70	511	0.66
0.75 to < 2.50	1 179	1.28	156	44.73	1.70	1 075	0.91
2.50 to < 10.00	439	3.44	65	38.41	1.20	468	1.07
10.00 to < 100.00							
100.00 (default)							
Sub-total	40 805	0.19	627	39.04	1.70	12 006	0.30

1 Refer to annexure A for exposures by portfolio.

Table CCR5 discloses a breakdown of all types of collateral posted or received to support or reduce the counterparty credit risk exposures related to derivative transactions. The total collateral posted or received is reflected.

CCR5: COMPOSITION OF COLLATERAL FOR CCR EXPOSURE[1]

	Collateral used in derivatives transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated Rm	Un-segregated[2] Rm	Segregated Rm	Un-segregated[2] Rm	Fair value of collateral received Rm	Fair value of posted collateral Rm
1H17						
Cash – domestic currency		**6 995**		**2 123**	**33 877**	**11 490**
Cash – other currencies		**500**		**8 039**		**73 568**
Domestic sovereign debt		**2 094**			**2**	**11 232**
Other sovereign debt					**9 148**	
Government agency debt					**34**	**45**
Corporate bonds					**29 734**	**1 885**
Equity securities		**873**			**3 335**	**9 934**
Other collateral					**39 769**	**11 146**
Total		**10 462**		**10 162**	**115 899**	**119 300**
FY16						
Cash – domestic currency		6 478		2 220	31 455	15 215
Cash – other currencies		2 172		9 863		108 695
Domestic sovereign debt		2 022			1	8 853
Other sovereign debt					53 990	
Government agency debt					850	
Corporate bonds					55 556	313
Equity securities		576			11 030	8 152
Other collateral					5 807	13 234
Total		11 248		12 083	158 689	154 462

1 Per the requirement of the framework, collateral includes both cash and securities that are subject to the transaction. Collateral items are presented at fair value and gross of haircuts.
2 Unsegregated refers to collateral not held in a bankruptcy-remote manner.

The table that follows details the group's exposure to credit derivatives with a distinction made between protection bought and sold.

CCR6: CREDIT DERIVATIVES EXPOSURES

	1H17		FY16	
	Protection bought Rm	**Protection sold Rm**	Protection bought Rm	Protection sold Rm
Notionals values				
Single-name credit default swaps[1]	**6 239**	**30 505**	5 520	36 131
Index credit default swaps[1]	**4 610**	**6 036**	4 047	4 926
Total return swaps	**641**	**53**	865	259
Other credit derivatives	**27 631**	**5 312**	27 904	4 175
Total notionals values	**39 121**	**41 906**	38 336	45 491
Fair values				
Positive fair value (asset)	**748**	**280**	3 456	199
Negative fair value (liability)	**675**	**838**	2 595	1 464
Total fair values	**1 423**	**1 118**	6 051	1 663

1 Index credit default swaps for FY16 are now separately disclosed to bring the disclosure in line with 1H17 disclosures.

CCR8: EXPOSURES TO CENTRAL COUNTERPARTIES

	1H17		FY16	
	EAD (post-CRM) Rm	**RWA Rm CCR2**	EAD (post-CRM) Rm	RWA Rm CCR2
Exposures to qualifying CCPs (total)	**16 943**	**118**	23 348	264
Exposures for trades at qualifying CCPs (excluding initial margin and default fund contributions); of which	**5 775**	**116**	13 079	262
(i) OTC derivatives	**1 618**	**32**	1 032	21
(ii) Exchange-traded derivatives	**4 157**	**84**	12 047	241
(iii) Securities financing transactions				
(iv) Netting sets where cross-product netting has been approved				
Non-segregated initial margin	**11 075**		10 180	
Pre-funded default fund contributions	**93**	**2**	89	2

SECURITISATION

Securitisation is a transaction whereby the credit risk associated with an exposure, or pool of exposures, is tranched and passed on to investors, typically through loan notes, and where payments to investors through the loan notes in the transaction are dependent upon the performance of the exposure or pool of exposures. In a traditional securitisation, the exposures being securitised are transferred to a structured entity (SE) which issues debt securities.

The group uses SEs to securitise customer loans and advances that it has originated to diversify its sources of funding for asset origination, for capital efficiency purposes and to reduce risk. In addition, the group plays a secondary role as an investor in certain third-party securitisation note issuances (SEs established by third parties).

The following SEs have been established by the group in terms of the securitisation exemption in the Banks Act:

- Blue Granite Investments No. 1 (RF) Limited (BG 1)
- Blue Granite Investments No. 2 (RF) Limited (BG 2)
- Blue Granite Investments No. 3 (RF) Limited (BG 3)
- Blue Granite Investments No. 4 (RF) Limited (BG 4)
- Siyakha Fund (RF) Limited (Siyakha)
- Blue Titanium Conduit (RF) Limited (BTC).

The group has furthermore established two SEs solely for purposes of securing the SARB's committed liquidity facility:

- Blue Shield Investments 1 (RF) Limited
- Blue Shield Investments 2 (RF) Limited

Securitisation achieves the following objectives for investors and third party issuers:

- facilitating non-banks' access to asset classes traditionally only available to banks
- diversification of investment asset base
- potential yield pick-up for investors or a reduction in funding costs for issuers (disintermediation of the banking sector).

Securitisation achieves the following objectives for the group:

- securitisation is used to raise funding and transfer risk out of the banking system
- the group has originated a number of securitisations of its own home loan assets. All of these transactions were aimed at diversifying the banks funding base beyond the group's normal wholesale deposit base
- the group has always retained the subordinated loans and consequently transactions have not resulted in a reduction of the RWA associated with the securitised loans
- securitisation transactions arranged for third parties allow the bank to earn arranging fees as well as ancillary fee income from providing banking, back-up servicing, interest rate swaps and liquidity facilities
- since 2014, the group also makes use of securitisation structures to provide collateral for the SARB committed liquidity facility aimed at meeting the new LCR requirements. In these transactions the notes issued by the SE as well as the sub-ordinated loan are retained by SBSA.

SEC1: SECURITISATION EXPOSURES IN THE BANKING BOOK

	a	e
	Bank acts as originator	**Bank acts as sponsor**
	Traditional Rm	**Traditional Rm**
1H17		
Retail (other) – of which	**18 643**	**4 247**
residential mortgages	**18 643**	**3 311**
credit card		
other retail exposures		**210**
re-securitisation		**726**
Wholesale (total) – of which		**2 154**
loans to corporates		
commercial mortgages		
lease and receivables		
other wholesale		
re-securitisation		**2 154**
FY16		
Retail (other) – of which	19 099	4 492
residential mortgages	19 099	3 562
credit card		
other retail exposures		204
re-securitisation		726
Wholesale (total) – of which		2 031
loans to corporates		
commercial mortgages		
lease and receivables		
other wholesale		
re-securitisation		2 031

For originated and sponsored or administered securitisations consolidated under IFRS (that is, BG 1 – 4, Siyakha and BTC), intragroup exposures to and between these securitisations have been eliminated and the underlying assets consolidated in the relevant sections and classes (that is, primarily retail mortgages) of the risk disclosure in this report. Only exposures to securitisations of assets originated by third parties are disclosed on the next page. The approach applied in the calculation of RWA is dependent on the group's approved model for the underlying assets and the existence of a rating from an eligible external credit assessment institution.

To date, the group has applied the standardised approach, the ratings- based approach and the standard formula approach, where relevant, in the calculation of RWA.

For local securitisations in South Africa, Moody's Investor Services and/or Global Ratings Company act as rating agencies.

R2.6 billion of securitisation activities took place during the period under review (FY16: R3.5 billion). These securitisation activites relate to the facilitation of the securitisation of third party assets into an SE that is not consolidated by the group.

The transfer of assets by the group to an SE may give rise to the full or partial derecognition of the financial assets concerned. Only in the event that derecognition is achieved are sales and any resultant gains or losses on disposals recognised in the financial statements. Where the SEs are consolidated at group level, such gains or losses are eliminated.

SEC3: SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR

	Exposure values (by risk-weight bands)		
	<=20% risk-weight	<20% to 50% risk-weight	<50% to 100% risk-weight
1H17			
Total exposures	**3 779**	**74**	**392**
Traditional securitisation	**3 779**	**74**	**392**
Of which securitisation	**3 207**	**74**	**239**
Of which retail underlying	**3 207**	**74**	**239**
Of which wholesale			
Of which re-securitisation	**572**		**153**
Of which senior			**153**
Of which non-senior	**572**		
Synthetic securitisation			
Of which securitisation			
Of which retail underlying			
FY16			
Total exposures	4 094	10	387
Traditional securitisation	4 094	10	387
Of which securitisation	3 516	10	234
Of which retail underlying	3 516	10	234
Of which wholesale			
Of which re-securitisation	578		153
Of which senior			153
Of which non-senior	578		
Synthetic securitisation			
Of which securitisation			
Of which retail underlying			

1 Ratings-based approach.
2 Internal assessment approach.
3 Supervisory formula approach.
4 Simplified supervisory formula approach.

Exposure values (by regulatory approach)			RWA (by regulatory approach)			Capital charge after cap		
IRB RBA[1] (including IAA[2])	IRB SFA[3]	Standardised approach/ SSFA[4]	IRB RBA[1] (including IAA[2])	IRB SFA[3]	Standardised approach/ SSFA[4]	IRB RBA[1] (including IAA[2])	IRB SFA[3]	Standardised approach[4]/ SSFA[5]
			OV1	**OV1**				
874	**3 371**		**367**	**486**		**39**	**52**	
874	**3 371**		**367**	**486**		**39**	**52**	
874	**2 646**		**367**	**203**		**39**	**22**	
874	**2 646**		**367**	**203**		**39**	**22**	
	725			**283**			**30**	
	153			**162**			**17**	
	572			**121**			**13**	
			OV1	OV1				
881	3 610							
881	3 610		228	450		24	47	
881	2 879		228	450		24	47	
881	2 879		228	219		24	23	
			228	219		24	23	
	731			231			24	
	153			121			13	
	578			110			11	

ANALYSIS OF LOANS AND ADVANCES

The tables on the pages that follow analyse the credit quality of loans and advances measured in terms of IFRS.

MAXIMUM EXPOSURE TO CREDIT RISK

Loans and advances are analysed and categorised based on credit quality using the following definitions.

Default

The group defines a default as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days. The overdue period may be measured using a "days past due" or a "number of missed payments or part thereof" approach.

Performing loans

Performing loans are classified into two categories, namely:

- **Neither past due nor specifically impaired loans:** these loans are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21, and close monitoring loans are generally rated 22 to 25 using the group's master rating scale.
- **Early arrears but not specifically impaired loans:** early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is unlikely but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of future cash flows, including collateral. Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. Specifically impaired loans are further analysed into the following categories:

- **Substandard:** items that show underlying well-defined weaknesses and are considered to be specifically impaired.
- **Doubtful:** items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items.
- **Loss:** items that are considered to be uncollectible in whole or in part. The group provides fully for its anticipated loss, after taking collateral into account.

CREDIT IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Loans and advances are assessed for possible impairment at each reporting date. The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment is recognised are not included in a collective assessment for impairment.

Impairments of groups of loans that are assessed collectively are recognised when there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss event and the date on which the group identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. Factors such as national- and industry-specific economic conditions, the extent of early arrears and any legislation that could affect recovery, are all considered when calculating the portfolio impairment charge.

LOANS[1]

Performing loans

Neither past due nor specifically impaired loans (Rm)

1H17	FY16
998 394	1 021 782

Normal monitoring (Rm)

1H17	FY16
978 529	1 003 998

Close monitoring (Rm)

1H17	FY16
19 865	17 784

Early arrears but not specifically impaired loans (Rm)

1H17	FY16
32 816	32 233

Non-performing loans

Non-performing but not specifically impaired loans (Rm)

1H17	FY16
463	406

Specifically impaired loans (Rm)

1H17	FY16
34 541	33 000

Substandard (Rm)

1H17	FY16
8 024	7 544

Doubtful (Rm)

1H17	FY16
20 184	19 248

Loss (Rm)

1H17	FY16
6 333	6 208

- Portfolio credit impairments
- Specific credit impairments

1 FY16 audited.

IFRS: MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

		Performing loans			
		Neither past due nor specifically impaired		Not specifically impaired	
	Gross advances Total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing[1] Rm
1H17					
Personal & Business Banking	640 606	562 167	18 064	31 539	
Mortgage loans	342 128	298 166	8 586	20 057	
Vehicle and asset finance	80 889	70 487	2 482	4 597	
Card debtors	32 119	26 822	1 327	1 719	
Other loans and advances	185 470	166 692	5 669	5 166	
Personal unsecured lending	53 286	42 645	3 222	2 778	
Business lending and other	132 184	124 047	2 447	2 388	
Corporate & Investment Banking	474 418	465 174	1 801	1 277	463
Corporate loans	406 831	397 809	1 801	1 277	417
Commercial property finance	67 587	67 365			46
Other services	(48 810)	(48 812)			
Gross loans and advances	1 066 214	978 529	19 865	32 816	463
Less: impairments for loans and advances	(22 816)				
Net loans and advances	1 043 398				

1 Included loans of R46 million that are past due but not specifically impaired

Non-performing loans									
Specifically impaired loans									
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
6 433	16 725	5 678	28 836	16 558	12 278	12 278	43	28 836	4.5
3 934	10 811	574	15 319	11 381	3 938	3 938	26	15 319	4.5
426	1 602	1 295	3 323	1 822	1 501	1 501	45	3 323	4.1
564	493	1 194	2 251	559	1 692	1 692	75	2 251	7.0
1 509	3 819	2 615	7 943	2 796	5 147	5 147	65	7 943	4.3
427	3 235	979	4 641	1 064	3 577	3 577	77	4 641	8.7
1 082	584	1 636	3 302	1 732	1 570	1 570	48	3 302	2.5
1 591	3 459	653	5 703	2 543	3 160	3 160	55	6 166	1.3
1 549	3 325	653	5 527	2 476	3 051	3 051	55	5 944	1.5
42	134		176	67	109	109	62	222	0.3
		2	2		2	2	100	2	
8 024	20 184	6 333	34 541	19 101	15 440	15 440	45	35 004	3.3

		Performing loans			
		Neither past due nor specifically impaired		Not specifically impaired	
	Loans and advances Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing[1] Rm
FY16[2]					
Personal & Business Banking	644 668	569 053	15 718	32 051	
Mortgage loans	336 451	294 000	8 047	19 839	
Instalment sale and finance leases	81 035	71 663	1 811	4 491	
Card debtors	31 229	26 085	1 228	1 696	
Other loans and advances	195 953	177 305	4 632	6 025	
Personal unsecured lending	53 152	43 042	1 927	3 322	
Business lending and other	142 801	134 263	2 705	2 703	
Corporate & Investment Banking	506 034	498 227	2 066	182	406
Corporate loans	440 515	433 675	1 410	156	404
Commercial property finance	65 519	64 552	656	26	2
Other services	(63 281)	(63 282)			
Gross loans and advances	1 087 421	1 003 998	17 784	32 233	406
Less: impairments for loans and advances					
Discontinued operations loans and advances	(21 793)				
Net loans and advances[2]	1 065 628				

1 Includes loans of R359 million that are past due but not specifically impaired.
2 Audited.

Non-performing loans									
Specifically impaired loans									
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total NPL Rm	NPL %
6 371	16 008	5 467	27 846	16 079	11 767	11 767	42	27 846	4.3
3 700	10 335	530	14 565	10 925	3 640	3 640	25	14 565	4.3
470	1 378	1 222	3 070	1 660	1 410	1 410	46	3 070	3.8
612	478	1 130	2 220	622	1 598	1 598	72	2 220	7.1
1 589	3 817	2 585	7 991	2 872	5 119	5 119	64	7 991	4.1
453	3 375	1 033	4 861	1 268	3 593	3 593	74	4 861	9.1
1 136	442	1 552	3 130	1 604	1 526	1 526	49	3 130	2.2
1 173	3 240	740	5 153	2 265	2 888	2 888	56	5 559	1.1
1 077	3 053	740	4 870	2 143	2 727	2 727	56	5 274	1.2
96	187		283	120	163	163	58	285	0.4
		1	1	(1)	2	2		1	
7 544	19 248	6 208	33 000	18 341	14 659	14 659	44	33 406	3.1

IFRS: AGEING OF LOANS AND ADVANCES PAST DUE BUT NOT SPECIFICALLY IMPAIRED

	Less than 31 days Rm	31 to 60 days Rm	61 to 90 days Rm	91 to 180 days Rm	More than 180 days Rm	Total Rm
1H17						
Personal & Business Banking	**17 816**	**8 448**	**5 275**			**31 539**
Mortgage loans	**10 938**	**5 654**	**3 465**			**20 057**
Instalment sale and finance leases	**2 932**	**1 126**	**539**			**4 597**
Card debtors	**968**	**455**	**296**			**1 719**
Other loans and advances	**2 978**	**1 213**	**975**			**5 166**
Personal unsecured lending	**1 736**	**615**	**427**			**2 778**
Business term lending and other	**1 242**	**598**	**548**			**2 388**
Corporate & Investment Banking	**818**		**459**		**46**	**1 323**
Corporate loans	**818**		**459**			**1 277**
Commercial property finance					**46**	**46**
Total	**18 634**	**8 448**	**5 734**		**46**	**32 862**
FY16[1]						
Personal & Business Banking	19 238	8 094	4 719			32 051
Mortgage loans	11 092	5 484	3 263			19 839
Instalment sale and finance leases	2 883	1 140	468			4 491
Card debtors	998	408	290			1 696
Other loans and advances	4 265	1 062	698			6 025
Personal unsecured lending	2 271	584	467			3 322
Business term lending	1 994	478	231			2 703
Corporate & Investment Banking		19	164	359		542
Corporate loans		13	144	359		516
Commercial property finance		6	20			26
Total	19 238	8 113	4 883	359		32 593

[1] Audited.

RESTRUCTURED (OR RENEGOTIATED) LOANS AND ADVANCES

Restructured loans and advances are exposures that, on meeting certain eligibility criteria, have been rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that contractual repayment under the revised conditions will likely continue after the restructure.

All restructured exposures are assessed for impairment at the time of the restructure and continue to be assessed for impairment thereafter in accordance with the group's accounting policies.

The adherence by renegotiated (or restructured) exposures to the revised terms and conditions is closely monitored. The performance monitoring period is the greater of three months, the in-country regulatory requirement (where applicable) or the minimum period deemed appropriate by the relevant credit function. The minimum monitoring period for the group's South African banking operations is six months as stipulated by the SARB directive 7 of 2015.

Exposures are required to perform against the revised terms and conditions for the minimum performance monitoring period prior to reclassification from an arrears to a performing status. Subsequently, these exposures, together with all other exposures, continue to be monitored to assess whether they are either past due or impaired, with impairments recognised in accordance with the group's accounting policies. In addition, the group monitors the effectiveness of its restructure policies through, for example, monitoring the re-default rates of restructured exposure.

Compliance risk

DEFINITION

Compliance risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its financial services activities.

APPROACH TO MANAGING COMPLIANCE RISK

General approach

In terms of its mandate, the compliance function operates independently of business as a second line of defence function. The mandate is approved annually by the GAC and is drawn primarily from regulation 49 of the Banks Act.

The group's approach to managing compliance risk is standardised across the group and is premised on internationally accepted principles of compliance risk management for financial service providers, supervisory and client expectations.

Compliance risk management is a core risk management activity overseen by the GCCO. The GCCO has unrestricted access to the group chief executives and the chairman of the GAC. The GCCO is a member of both executive and non-executive committees, including the group management committee, the group executive committee and GROC, and is a standing attendee of the GAC, thereby supporting the function's independence.

A comprehensive risk management reporting and escalation procedure requires business unit and corporate function compliance executives to report on the status of compliance risk management in the group to the GCCO, who escalates significant matters to group management, executive and independent board committees. These matters include key regulatory interaction and legislative developments, as well as significant compliance initiatives, current and developing compliance risks and exposures.

Attention to the group's technological capability, including coverage and surveillance capability in all jurisdictions, is key to supporting both regulatory requirements and supervisory and client expectations.

The relationship with our primary regulator, the SARB, is based on mutual trust with an emphasis on regular and transparent communication.

Approach to conduct risk

The group seeks to create long-term sustainable returns for all stakeholders. This value depends substantially on the way in which the group conducts its business with both clients and supervisors, and has a key co-dependency on third-party relationships. The group has implemented a culture and conduct strategy of continued focus on client outcomes and market integrity. To support this, the group has included culture and conduct governance at both a group and business unit level. Culture is supported by embedding the group values and code of ethics through a structured programme of training, communication, and personal commitment. This process of embedding conduct in strategy, decision-making, and operational processes (including remuneration) will support mitigating future conduct risk.

Approach to managing money laundering and terrorist financing

The current AML and combating the financing of terrorism (CFT) legislative regime provides for a rules-based approach to compliance. The group has developed policies and standards that set out the processes and procedures of how it will comply with these obligations as set out in the current AML/CFT legislation.

The South African Financial Intelligence Centre Act has been amended to incorporate a risk-based approach to compliance with the AML/CFT regulatory framework. This includes developing, documenting, maintaining and implementing a risk management and compliance programme that must be able to demonstrate the group's ability to effectively apply a risk-based approach. An implementation programme, with an impact analysis that will ensure that the group continues to be aligned with all stakeholder expectations, has commenced.

Approach to sanctions management

The group actively manages the legal, regulatory and reputational risk presented by persons and entities subject to embargoes or sanctions imposed by competent authorities. The sanctions surveillance capability continues to be enhanced to meet supervisory expectations.

The group sanctions and client risk review committee, supported by the group sanctions desk, is responsible for providing advice and decisions on sanctions-related matters in a fluid sanctions environment.

Approach to managing regulatory change

The group operates in a highly regulated industry across multiple jurisdictions and is increasingly subject to international legislation with extra-territorial reach.

The group aims to embed regulatory best-practice in its operations in a way that balances the interests of various stakeholders, while supporting the group's strategic intent in the markets where it has a presence.

The group's strategy, regulatory advocacy and compliance functions assess the impact that emerging policy and regulation will have on the group and its stakeholder relationships. The group's approach to regulatory advocacy is to engage with government policy makers, legislators, regulators and standard and policy setters in a proactive and constructive manner.

The businesses impacted by new regulatory developments identify business model changes that will ensure the most efficient and effective approach to adoption of these developments, always bearing in mind the impact on clients and ensuring continued excellence in customer service. An integrated regulatory change management strategy ensures agility in a dynamic business and regulatory environment across multiple jurisdictions.

Approach to safety, health and environmental risk management

Any risks to the health and safety of employees and stakeholders resulting from hazards in the workplace and/or potential exposure to occupational illness are managed by the safety, health and environmental risk management team and are supported by executive management accountability structures.

GOVERNANCE

The primary management level governance committee overseeing compliance risk is the group compliance committee. It is chaired by the GCCO and is a subcommittee of GROC. Compliance is also represented on, and submits reports to, various group management and board committees, all of which facilitate awareness of compliance risk-related matters. The principal governance document is the group compliance risk governance standard and policy, supported by the compliance risk management framework, which underpins accountability and control frameworks.

Country risk

DEFINITION

Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and the group's branches and subsidiaries in a country) will be able to fulfil obligations due to the group given political or economic conditions in the host country.

APPROACH TO MANAGING COUNTRY RISK

All countries to which the group is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for jurisdiction, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the group's network of operations, country visits and external information sources. These ratings are also a key input into the group's credit rating models.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a jurisdiction risk grade from aaa to d, as well as sovereign risk grade, and transfer and convertibility risk grade (SB) from SB01 to SB25. Countries with sovereign/jurisdiction risk ratings of SB07/a and weaker, referred to as medium- and high-risk countries, are subject to more detailed analysis and monitoring.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance
- co-financing with multilateral institutions
- structures to mitigate transfer and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

GOVERNANCE

The primary management level governance committee overseeing this risk type is the group country risk management committee. It is chaired by the group CRO and is a subcommittee of GROC.

The principal governance document is the country risk governance standard.

APPROVED REGULATORY CAPITAL APPROACHES

There are no regulatory capital requirements for country risk.

Country risk is, however, incorporated into regulatory capital for credit in the IRB approaches through the jurisdiction risk and transfer and convertibility risk ratings' impact on credit grades.

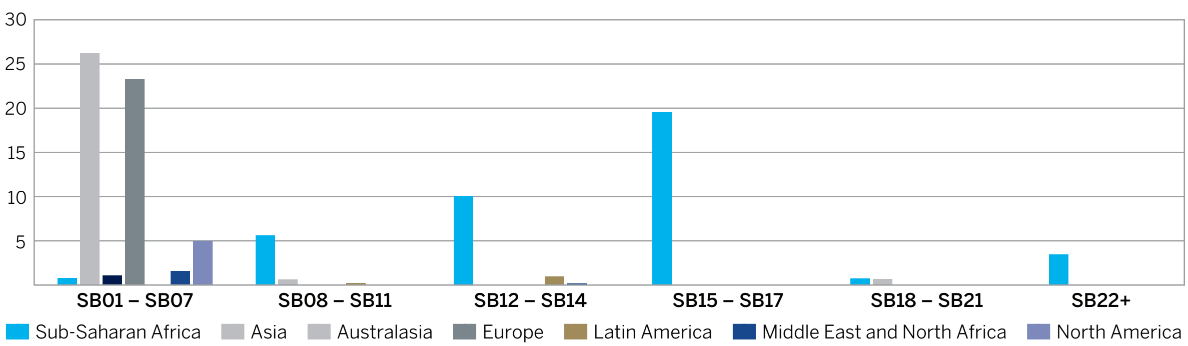
COUNTRY RISK PORTFOLIO CHARACTERISTICS AND METRICS

The risk distribution of cross-border country risk exposures is weighted towards European, Asian and North American low-risk countries, as well as sub-Saharan African medium- and high-risk countries.

COUNTRY RISK EXPOSURE BY REGION AND RISK GRADE

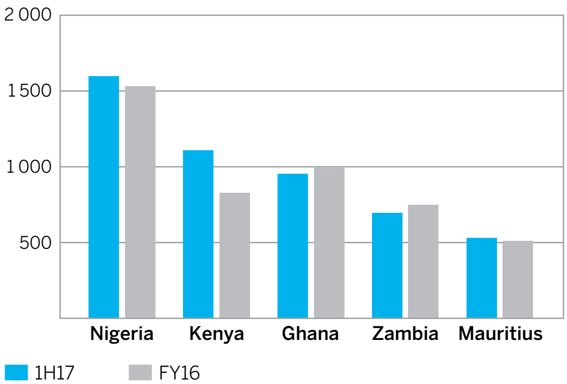
	Sub-Saharan Africa %	Asia %	Australasia %	Europe %	Latin America %	Middle East and North Africa %	North America %
1H17							
Risk grade							
SB01 – SB07	**0.82**	**26.22**	**1.09**	**23.26**		**1.56**	**4.98**
SB08 – SB11	**5.60**	**0.63**			**0.21**		
SB12 – SB14	**10.05**				**0.99**	**0.18**	
SB15 – SB17	**19.53**						
SB18 – SB21	**0.75**	**0.69**					
SB22+	**3.44**						
FY16							
Risk grade							
SB01 – SB07	0.80	26.63	1.12	19.67		2.04	4.92
SB08 – SB11	5.65	0.29			1.15		
SB12 – SB14	9.17					0.12	
SB15 – SB17	21.56						
SB18 – SB21	4.63	0.56			0.80		
SB22+	0.89						

Medium- and high-risk country exposure by region (%)

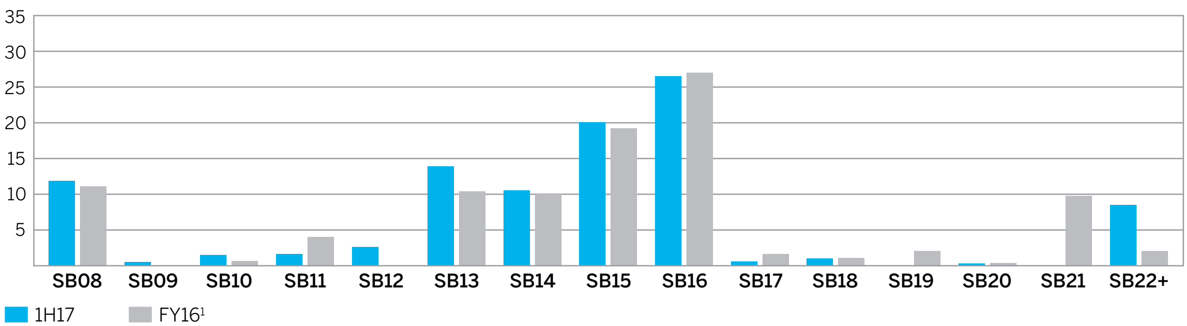


Exposure to the top five medium- and high-risk countries is shown together with comparatives in the graph that follows. These exposures are in line with the group's growth strategy, which is focused on Africa.

Top five medium- and high-risk exposures (USDm)



Medium- and high-risk country EAD concentration by county rating (%)



[1] Restated.

Funding and liquidity risk

DEFINITION

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

APPROACH TO MANAGING LIQUIDITY RISK

The nature of the group's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the group with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The group manages liquidity in accordance with applicable regulations and within the group's risk appetite framework. The group's liquidity risk management governance framework supports the measurement and management of liquidity, in all geographies across both the corporate and retail sectors to ensure that payment obligations can be met by the group's legal entities, under both normal and stressed conditions and that regulatory, prudential as well as minimum requirements are met at all times. This is achieved through a combination of maintaining adequate liquidity buffers, to ensure that cash flow requirements can be met, and ensuring that the group's SOFP is structurally sound and supportive of the group's strategy. Liquidity risk is managed on a consistent basis across the group's subsidiaries, allowing for local requirements. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The group manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

LIQUIDITY MANAGEMENT CATEGORIES

TACTICAL (SHORT-TERM) LIQUIDITY RISK MANAGEMENT

- manage intra-day liquidity positions
- monitor interbank and repo shortage levels
- monitor daily cash flow requirements
- manage short-term cash flows
- manage daily foreign currency liquidity
- set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO.

STRUCTURAL (LONG-TERM) LIQUIDITY RISK MANAGEMENT

- ensure a structurally sound SOFP
- identify and manage structural liquidity mismatches
- determine and apply behavioural profiling
- manage long-term cash flows
- preserve a diversified funding base
- inform term funding requirements
- assess foreign currency liquidity exposures
- establish liquidity risk appetite
- ensure appropriate transfer pricing of liquidity costs
- ensure Basel III NSFR readiness by January 2018.

CONTINGENCY LIQUIDITY RISK MANAGEMENT

- monitor and manage early warning liquidity indicators
- establish and maintain contingency funding plans
- undertake regular liquidity stress testing and scenario analysis
- convene liquidity crisis management committees, if needed
- set liquidity buffer levels in accordance with anticipated stress events
- advise on the diversification of liquidity buffer portfolios
- ensure compliance with Basel III LCR.

Information relating to 1H17 is based on Basel III principles, including behavioural profiling methods and assumptions, as well as phasing-in requirements where applicable.

The LCR is a metric introduced by the BCBS to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking the group's high-quality liquid assets (HQLA) and dividing it by net cash outflows. The minimum regulatory LCR requirement for 1H17 is 80%, which will increase by 10% annually to reach 100% by 1 January 2019.

The group exceeded the 80% minimum phase-in requirement for 1H17.

From 2018, the group will also be required to comply with the Basel III NSFR. This is a metric designed to ensure that the majority of term assets are funded by stable sources, such as capital, term borrowings or other stable funds. The group continues to analyse the funding impact relating to the Basel III NSFR implementation by managing its balance sheet structure within specified risk appetite, with the aim to optimally meet both the LCR and NSFR requirements on an on-going basis by January 2018.

The group, together with the local banking industry, continues to engage through the Banking Association South Africa with the SARB to explore further market-based solutions to ensure that the NSFR framework aligns to local industry conditions and requirements.

BASEL III IMPLEMENTATION TIMELINE (MINIMUM STANDARD)

		1H17	2018	2019
Liquidity	LCR	**80%**	90%	100%
	NSFR		100%	100%

GOVERNANCE

The primary governance committee overseeing liquidity risk is the group ALCO, which is chaired by the group financial director and is a subcommittee of GROC. ALCOs have been established in each of the group's banking subsidiaries and manage in-country liquidity risk.

The principal governance documents are the liquidity risk governance standard and model risk governance framework.

LIQUIDITY CHARACTERISTICS AND METRICS

OVERVIEW OF LIQUIDITY AND FUNDING METRICS

	1H17	FY16
Total contingent liquidity (Rbn)	**308.1**	335.9
Eligible Basel III LCR HQLA (Rbn)	**221.3**	220.4
Managed liquidity (Rbn)	**86.8**	115.5
Total contingent liquidity as a % of funding related liabilities (%)	**24.7**	26.9
Single depositor (%)	**2.3**	2.4
Top 10 depositors (%)	**9.4**	9.5
Basel III LCR (quarterly average %)	**116.3**	117.1
Minimum regulatory LCR requirement (%)	**80.0**	70.0

Contingency liquidity risk management

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event. The updating of contingency funding plans while considering budget forecasting continues to be a focus area for the asset liability management teams across the group.

The group, in line with the SARB's requirements, updates and submits its recovery and resolution plans to the SARB on an annual basis. The group's recovery plan incorporates the contingent liquidity funding plan in addition to the focus given to capital planning and business continuity planning.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on both hypothetical as well as historical events. These are conducted on the group's funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar-day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is also consistent with the Basel III LCR requirements.

Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the group's ability to maintain sufficient liquidity under adverse conditions.

Internal stress testing metrics are supplemented with the regulatory Basel III LCR in monitoring the group's ability to survive severe stress scenarios.

The Basel III LCR analysis that follows includes banking and/or deposit taking entities and represents an aggregation of the relevant individual net cash outflows and HQLA portfolios. These results reflect the simple average of 91 days of daily observations over the quarter ended 1H17 and the simple average of the three month-end data points for the quarter ended FY16.

LIQUIDITY COVERAGE RATIO

	1H17[1]		FY16[2]	
	Total unweighted[3] value (average) Rm	**Total weighted[4] value (average) Rm**	Total unweighted[3] value (average) Rm	Total weighted[4] value (average) Rm
HQLA				
Total HQLA		**215 195**		208 656
Cash outflows	**1 341 577**	**349 810**	1 319 414	362 115
Retail deposits and deposits from small business customers, of which:	**386 761**	**29 024**	345 433	29 263
Stable deposits[5]	**12 968**	**648**	8 482	424
Less stable deposits	**373 793**	**28 376**	336 951	28 839
Unsecured wholesale funding, of which:	**539 812**	**278 699**	555 618	293 451
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**163 528**	**40 882**	152 696	38 174
Non-operational deposits (all counterparties)	**375 476**	**237 009**	402 822	255 177
Unsecured debt	**808**	**808**	100	100
Secured wholesale funding		**214**		11
Additional requirements	**102 840**	**27 150**	115 915	24 234
Outflows related to derivative exposures and other collateral requirements	**15 437**	**15 423**	26 307	12 448
Outflows related to loss of funding on debt products	**3 116**	**3 116**	2 995	2 995
Credit and liquidity facilities	**84 287**	**8 611**	86 613	8 791
Other contractual funding obligations	**3 213**	**3 213**	4 228	4 228
Other contingent funding obligations	**308 951**	**11 510**	298 220	10 928
Cash inflows	**209 598**	**164 780**	227 530	183 984
Secured lending	**27 590**	**16 225**	41 428	32 444
Inflows from fully performing exposures	**157 961**	**131 844**	161 855	134 955
Other cash inflows	**24 047**	**16 711**	24 247	16 585

	1H17 **Total adjusted value[6] Rm**	FY16 Total adjusted value[6] Rm
Total HQLA	**215 195**	208 656
Total net cash outflows	**185 030**	178 131
Liquidity coverage ratio (%)	**116.3%**	117.1%

1 Simple average of 91 days of daily observations over the quarter ended 1H17 for SBSA, SBSA Isle of Man branch, Stanbic Bank Ghana, Stanbic Bank Uganda, Standard Bank Isle of Man Limited and Standard Bank Jersey Limited and the simple average of three month-end data points ended 1H17 for the other Africa Regions banking entities.
2 The simple average of the month-end values at 31 October 2016, 30 November 2016 and FY16.
3 Unweighted value represents the outstanding balances maturing or callable within 30 days (for inflows and outflows).
4 Total weighted value is calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).
5 Restated. Refer to page 85.
6 Adjusted value calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

The group seeks to exceed the minimum LCR requirement with a sufficient buffer to allow for funding flow volatility as determined by its internal liquidity risk appetite. A buffer is maintained above the minimum regulatory requirement to cater for balance sheet and market volatility.

Total contingent liquidity

Portfolios of highly marketable liquid instruments to meet prudential, regulatory and internal stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO-defined limits on the basis of diversification and liquidity.

The table below provides a breakdown of the group's liquid and marketable instruments as at 1H17 and FY16. Eligible Basel III LCR HQLA are defined according to the BCBS January 2013 LCR and liquidity risk monitoring tools framework. Managed liquidity represents unencumbered marketable instruments other than eligible Basel III LCR HQLA (excluding trading assets) which would be able to provide significant sources of liquidity in a stress scenario.

TOTAL CONTINGENT LIQUIDITY

	1H17 Rbn	FY16 Rbn
Eligible LCR HQLA[1] comprising:	**221.3**	220.4
Notes and coins	**13.6**	19.6
Balances with central banks	**40.4**	38.1
Government bonds and bills	**148.2**	146.0
Other eligible liquid assets	**19.1**	16.7
Managed liquidity	**86.8**	115.5
Total contingent liquidity	**308.1**	335.9
Total contingent liquidity as a % of funding-related liabilities (%)	**24.7**	26.9

1 Eligible LCR HQLA considers any liquid transfer restrictions that will inhibit the transfer across jurisdictions

Liquid assets held remain adequate to meet all internal stress testing, prudential and regulatory requirements.

Structural liquidity mismatch

Maturity analysis of financial liabilities using behavioural profiling

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

In order to highlight potential risks within the group's defined liquidity risk thresholds, structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of SOFP items.

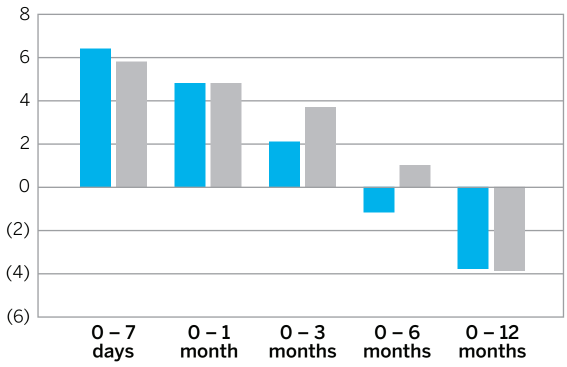
The graph that follows shows the group's cumulative maturity mismatch between assets and liabilities for the 0 to 12 months maturity bucket, after applying behavioural profiling. The cumulative maturity is expressed as a percentage of the group's total funding-related liabilities.

Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. These mismatches are monitored on a regular basis with active management intervention, if potential breaches outside risk appetite are evidenced. Liquidity transfer restrictions across the group are considered as part of the prudent liquidity risk management assumptions that are followed.

The group's cumulative liquidity mismatch remains within liquidity risk appetite and is well-positioned for NSFR compliance by January 2018.

While following a consistent approach to liquidity risk management in respect of the foreign currency component of the SOFP, specific indicators are observed in order to monitor changes in market liquidity, as well as the impacts on liquidity as a result of movements in exchange rates.

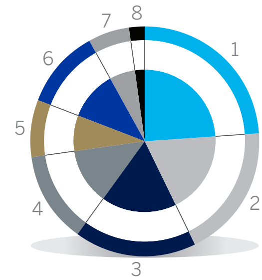
Behaviourally adjusted cumulative liquidity mismatch
(% of funding-related liabilities)



Funding activities

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The group continues to focus on building its deposit base as a key component of the group's funding mix. Deposits sourced from South Africa and other major jurisdictions in the Africa Regions, Isle of Man and Jersey provide diversity of stable funding sources for the group.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as loan and debt capital markets across the group. Total funding-related liabilities reduced from R1 251 billion as at FY16 to R1 247 billion as at 1H17.



Funding diversification by product (%)

		1H17	FY16
1	Call deposits	24	24
2	Term deposits	19	19
3	Current accounts	17	16
4	Cash management deposits	13	13
5	Deposits from banks and central banks	8	10
6	Negotiable certificates of deposits	11	10
7	Senior and subordinated debt	6	6
8	Savings accounts	2	2

FUNDING-RELATED LIABILITIES COMPOSITION[1]

	1H17 Rbn	FY16 Rbn
Corporate funding	**379**	387
Retail deposits[2]	**326**	321
Institutional funding	**299**	286
Deposits from banks	**67**	78
Government and parastatals	**66**	66
Senior debt	**55**	49
Term loan funding	**31**	41
Subordinated debt issued	**21**	22
Other liabilities to the public	**3**	1
Total funding-related liabilities	**1 247**	1 251

1 Composition aligned to Basel III liquidity classifications.
2 Comprises individual and small business customers.

Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

DEPOSITOR CONCENTRATION

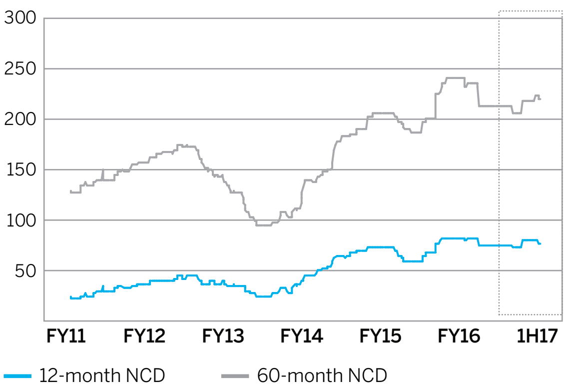
	1H17 %	FY16 %
Single depositor (limit 10%)	**2.3**	2.4
Top 10 depositors (limit 20%)	**9.4**	9.5

A component of the group's funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch tolerance limits and appetite guidelines.

The group successfully accessed the longer term funding market during the first half of 1H17, raising R13.5 billion through senior debt funding. SBG issued R1.7 billion of Basel III compliant AT1 bond instruments, the proceeds of which have been invested as AT1 in SBSA.

The graph on the next page is a representation of the market cost of liquidity, which is measured as the spread paid on the negotiable certificates of deposits (NCDs) relative to the prevailing swap curve for that tenor. The graph is based on actively-issued money market instruments by banks, namely 12- and 60-month NCDs. For the period under review, market cost of liquidity widened marginally, driven principally by sovereign ratings downgrades with the cost of liquidity widening by 7.5 basis points (bps) at the end of March 2017.

SBSA 12- and 60-month liquidity spread (bps)



THE GROUP'S CREDIT RATINGS

The group's ability to access funding at cost-effective levels is dependent on maintaining or improving the borrowing entity's credit rating

The following table provides a summary of the major credit ratings for the group and its principal operating subsidiary, SBSA, as at 1H17.

CREDIT RATINGS

LONG-TERM	**FITCH**
Group foreign currency issuer default rating	BB+
SBSA foreign currency issuer default rating	BB+
South Africa sovereign foreign currency issuer default rating	BB+
	MOODY'S
Group foreign currency issuer rating	Ba1
SBSA foreign currency deposit rating	Baa3
South Africa sovereign foreign currency rating	Baa3

Credit ratings for SBSA are dependent on multiple factors, including the South African sovereign rating, capital adequacy levels, quality of earnings, credit exposure, the credit risk governance framework and funding diversification. These parameters and their possible impact on the borrowing entity's credit rating are monitored closely and incorporated into the group's liquidity risk management and contingency planning considerations.

The foreign and local currency ratings downgrades in the first half of 1H17 have had a more benign impact than previously anticipated on the availability and cost of foreign currency funding. This is partly due to the global macro-economic environment and the current appetite for emerging markets. Further downgrades could have a more significant impact on the group's access to foreign currency liquidity sources and the cost thereof. The group continues to develop and implement mitigation strategies to address the identified risks.

A rating downgrade would reduce the thresholds above which collateral must be posted with counterparties to cover the group's negative mark-to-market on derivative contracts. These are managed within the liquidity management pillar. The potential cumulative impact on additional collateral requirements is contained in the table below.

1, 2 AND 3 NOTCH RATING DOWNGRADES

	1H17 Rm	FY16 Rm
Impact on the group's liquidity of a collateral call linked to downgrading by		
1 notch	**554**	398
2 notch	**587**	535
3 notch	**587**	535

CONDUITS

The group provides standby liquidity facilities to two conduits, namely BTC and Thekwini Warehouse Conduit. These facilities, which totalled R5.8 billion at 1H17 (FY16: R5.6 billion), had not been drawn on.

The liquidity risk associated with these facilities is managed in accordance with the group's overall liquidity position and represents less than 2% of the group's total liquidity (FY16: 2%). The liquidity facilities are included in both the group's structural liquidity mismatch, as well as in liquidity risk stress testing.

Market risk

DEFINITION

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The group's key market risks are:

- trading book market risk
- interest rate risk in the banking book (IRRBB)
- equity risk in the banking book
- foreign currency risk
- own equity-linked transactions
- post-employment obligation risk.

GOVERNANCE

The governance management level committees overseeing market risk are group ALCO, which is chaired by the group financial director, and the group equity risk committee, which is chaired by the CIB CRO. Both are subcommittees of GROC.

The principal governance documents are the market risk governance standard and the model risk governance framework.

APPROVED REGULATORY CAPITAL APPROACHES

The group has approval from the SARB to adopt the internal models approach for most asset classes and across most market variables in SBSA with the balance on the standardised model.

For material equity portfolios, the group has approval from the SARB to adopt either the market-based or PD/LGD approach.

There are no regulatory capital requirements for IRRBB, structural foreign exchange exposures or own equity-linked transactions. The group does not apply the incremental risk charge or comprehensive risk capital charge approach.

TRADING BOOK MARKET RISK

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

MR1: MARKET RISK UNDER THE STANDARDISED APPROACH

	1H17 RWA Rm	FY16 RWA Rm
Outright products	**42 744**	20 124
Interest rate risk (general and specific)	**39 978**	18 809
Equity risk (general and specific)	**81**	65
Foreign exchange risk	**2 445**	1 199
Commodity risk	**240**	51
Options	**1 579**	1 287
Delta-plus method	**1 579**	1 287
Total	**44 323**	21 411
	OV1	OV1

MR2: RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER INTERNAL MODEL-BASED APPROACH

	VaR Rm	SVaR Rm	Total RWA Rm
RWA at 31 March 2017	8 631	9 740	18 371
Movement in risk levels	(2 957)	(364)	(3 321)
RWA at 1H17	**5 674**	**9 376**	**15 050**
			OV1

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's global markets' operations.

The market risk functions are independent of the group's trading operations and are accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into group ALCO, a subcommittee of GROC.

All VaR and SVaR limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

Measurement

The techniques used to measure and control trading book market risk and trading volatility include VaR and SVaR, stop-loss triggers, stress tests, backtesting and specific business unit and product controls.

VaR and SVaR

The group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss. The ten-day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crises while, for other markets, more recent stress periods are used.

Where the group has received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a ten-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Trading book credit risk

Credit issuer risk is assumed in the trading book by virtue of normal trading activity, and is managed according to the group's market risk governance standard. These exposures arise from, among others, trading in debt securities issued by corporate and government entities, as well as trading derivative transactions with other banks and corporate clients.

The credit spread risk is incorporated into the daily price movements used to compute VaR and SVaR mentioned above.

The VaR models used for credit risk are only intended to capture the risk presented by historical day-to-day market movements, and, therefore, do not take into account instantaneous or jump to default risk. Issuer risk is incorporated in the standardised approach interest rate risk charge for SBSA.

Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to review or close-out positions.

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical, hypothetical and Monte Carlo simulations. Daily losses experienced during the period ended 1H17, did not exceed the maximum tolerable losses as represented by the group's stress scenario limits.

Backtesting

The group backtests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR.

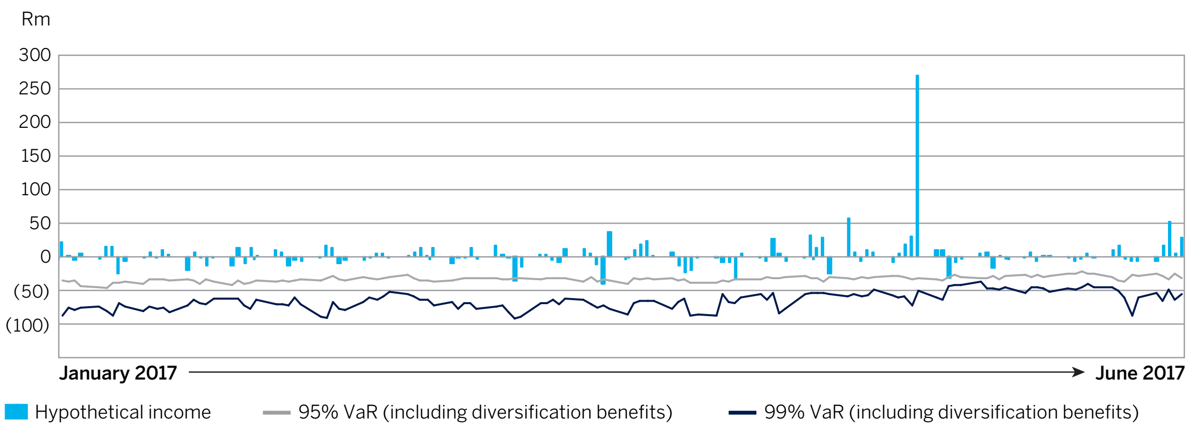
Backtesting compares the daily hypothetical profits and losses under the one-day buy and hold assumption to the prior day's calculated VaR. In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of hedges and risk-mitigation instruments.

Refer to the graph below for the results of the group's backtesting for 1H17. The volatility in hypothetical profit in May 2017 is largely as a result of the devaluation of the Nigerian Naira and introduction of the Nigerian autonomous foreign exchange rate fixing rate.

Regulators categorise a VaR model as green, amber or red and assign regulatory capital multipliers based on this categorisation. A green model is consistent with a satisfactory VaR model and is achieved for models that have four or less backtesting exceptions in a 12-month period at 99% VaR. All of the group's approved models were assigned green status for the period under review (FY16: green).

Three exceptions occurred in the first half of 2017 (FY16: nine) for 95% VaR and no exceptions (FY16: one) for 99% VaR.

MR4: comparison of VaR estimates with gains/losses



Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

Trading book portfolio characteristics

VaR for the period under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run similar levels of market risk throughout the period under review when compared to FY16 aggregate normal VaR, and reduced levels when compared to aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum Rm	Minimum[1] Rm	Average Rm	Closing Rm
1H17				
Commodities risk	**0.5**		**0.2**	**0.3**
Foreign exchange risk	**38**	**19**	**27**	**21**
Equity position risk	**12**	**3**	**7**	**7**
Debt securities	**22**	**12**	**16**	**20**
Diversification benefits[2]			**(17)**	**(16)**
Aggregate	**46**	**22**	**33**	**32**
FY16[3]				
Commodities risk	0.8		0.2	0.1
Foreign exchange risk	36	17	23	36
Equity position risk	19	4	9	9
Debt securities	32	11	19	13
Diversification benefits[2]			(21)	(20)
Aggregate	48	23	31	38

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.
2 Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.
3 Audited.

TRADING BOOK STRESSED VAR ANALYSIS BY MARKET VARIABLE

	Maximum Rm	Minimum Rm	Average Rm	Closing Rm
1H17				
Pre-diversification			**361**	**384**
Aggregate	**390**	**203**	**279**	**284**
FY16				
Pre-diversification			389	338
Aggregate	507	178	294	291

MR3: INTERNAL MODEL-BASED APPROACH VALUES FOR TRADING PORTFOLIOS

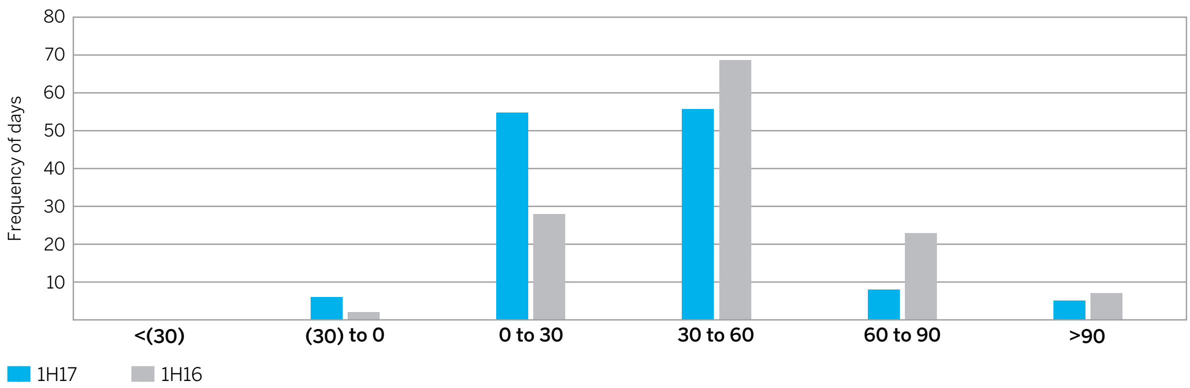
	1H17 Rm	FY16 Rm
VaR (10 day 99%)		
Maximum value	**227**	314
Average value	**133**	147
Minimum value	**95**	74
Period end	**131**	262
SVaR (10 day 99%)		
Maximum value	**337**	361
Average value	**215**	187
Minimum value	**115**	98
Period end	**138**	275

Analysis of trading profit

The graph that follows shows the distribution of daily trading income for the period ended 1H17. It captures trading volatility and shows the number of days in which the group's trading-related revenues fell within particular ranges. The distribution is skewed favourably to the profit side.

For the period under review, trading profit was positive for 124 out of 130 days (FY16: 242 out of 260 days) on an aggregated global basis.

Distribution of daily trading income (Rm)



INTEREST RATE RISK IN THE BANKING BOOK

Definition

This risk results from the different repricing characteristics of banking book assets and liabilities.

IRRBB is further divided into the following sub-risk types:

- **repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities
- **yield curve risk:** shifts in the yield curve that have an adverse impact on the group's income or underlying economic value
- **basis risk:** hedge price not moving in line with the price of the hedged position. Examples include bonds/swap basis, futures/underlying basis and prime/Johannesburg Interbank Agreed Rate (JIBAR) basis
- **optionality risk:** options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract
- **endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-interest earning assets and interest rate insensitive liabilities such as non-interest paying liabilities and equity.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

Limits

Interest rate risk limits are set in relation to changes in forecasted banking book earnings and the economic value of equity. The economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net exposure of non-rate sensitive liabilities and equity less non-rate sensitive assets.

The endowment risk is hedged using liquid instruments as and when it is considered opportune. Following meetings of the monetary policy committees, or notable market developments, the interest rate view is formulated through ALCO processes. Where permissible, hedge accounting (in terms of IFRS) is adopted using derivatives designated as hedging instruments.

Non-endowment IRRBB (repricing, yield curve, basis and optionality) is managed within the treasury and the global markets' portfolios.

EQUITY RISK IN THE BANKING BOOK

Definition

Equity risk is defined as the risk of loss arising from a decline in the value of an equity or equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value (NAV), enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Though issuer risk in respect of tradable equity instruments constitutes equity risk, such traded issuer risk is managed under the trading book market risk framework.

Approach to managing equity risk in the banking book

Equity risk relates to all transactions and investments subject to approval by the ERC and the group equity risk approval committee (ERAC), in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, the mandates of ERC and ERAC exclude strategic investments in the group's subsidiaries, associates and joint ventures deployed in delivering the group's business and service offerings unless the group financial director and group CRO deem such investments to be subject to the consideration and approval by ERC/ERAC.

Governance

ERC is constituted as a subcommittee of GROC and operates under delegated authority from that committee. It operates as an approval committee with equity delegated authority level 1. Its role has also been expanded to provide an oversight function previously performed by CIB credit governance committee. ERAC is a sub-committee of ERC and operates with equity delegated authority level 2 in terms of the mandate, with additional reporting accountability to the CIB equity governance committee.

GROC grants ERC and in turn ERAC authority to approve equity risk transactions to be held on the banking book and to manage such equity risk. This includes the authority to:

- exercise such powers as are necessary to discharge its responsibilities in terms of this mandate
- seek independent advice at the group's expense, and investigate matters within its mandate
- delegate authority to a combination of ERC voting members based on the investment size.

To the extent equity exposures approved by ERC are held on the banking book, they are substantively managed and reviewed according to the credit risk governance standard.

BANKING BOOK EQUITY PORTFOLIO CHARACTERISTICS

	1H17 Rm	FY16 Rm
Fair value		
Listed[1]	118	58
Unlisted	2 952	2 966
Total[2]	3 070	3 024

1 Restated. Refer to page 85.
2 Banking book equity exposures are equity investments which comprise listed and unlisted private equity and strategic investments, and do not form part of the trading book.

CR10: IRB EQUITIES UNDER THE SIMPLE RISK-WEIGHT METHOD

Categories	On-balance sheet amount Rm	Off-balance sheet amount Rm	Risk weight %	RWA Rm
1H17				
Exchange-traded equity exposures			300	
Private equity exposures	1 656		400	7 023
Other equity exposures			250	
Total	1 656			7 023
				OV1
FY16				
Exchange-traded equity exposures			300	
Private equity exposures	1 454		400	6 167
Other equity exposures			250	
Total	1 454			6 167
				OV1

FOREIGN CURRENCY RISK

Definition

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Approach to managing foreign currency risk

The group foreign currency management committee, a subcommittee of the group capital management committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Hedging is undertaken in such a way that it does not constrain normal operating activities. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with RWA is taken into account.

The repositioning of the group's NAV by currency, which is managed at a group level, is a controlled process based on underlying economic views and forecasts of the relative strength of currencies. The group does not ordinarily hold open exposures of any significance with respect to its banking book.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships in terms of IFRS, are reported directly in other comprehensive income (OCI), with all other gains and losses on derivatives being reported in profit or loss.

OWN EQUITY-LINKED TRANSACTIONS

Definition

The group has exposure to changes in its share price arising from its equity-linked compensation contractual commitments.

Depending on the nature of the group's equity-linked share schemes, the group is exposed to either income statement risk or NAV risk through equity due to changes in its own share price as follows:

- income statement risk arises as a result of losses being recognised in the group's income statement following increases in the group's share price on cash-settled share schemes above the award grant price
- NAV risk arises as a result of the group settling an equity-linked share incentive scheme at a higher price than the price at which the share incentive was granted to the group's employees.

The table that follows summarises the group's most material share schemes together with an explanation of which risk (where applicable) the share scheme exposes the group to, and why, and an indication as to whether the share schemes are hedged.

SHARE SCHEME	RISK TO THE GROUP	EXPLANATION	HEDGED
Equity growth scheme	N/A	The equity growth scheme is an equity-settled share scheme that is settled through the issuance of new shares. Accordingly, the group does not incur any cash flow in settling the share schemes and hence is not exposed to any risk as a result of changes in its own share price. The group repurchases shares in the market as part of its authorised share buy-back programme to mitigate against dilution of shareholders' interest.	No
Quanto stock unit scheme	Income statement risk	The Quanto stock unit is a cash-settled share scheme. Increases in the group's share price result in losses being recognised in the income statement.	Yes
Equity-settled deferred bonus scheme (DBS) and performance reward plan (PRP)	NAV risk	The DBS and PRP that are equity-settled share schemes are settled through the purchase of shares from the external market. Accordingly, for these equity-settled share schemes, increases in the group's share price above the grant price will result in losses being recognised in the group's equity.	Yes
Cash-settled DBS and PRP	Income statement risk	The DBS and PRP that are cash-settled share schemes result in losses being recognised in the income statement as a result of increases in the group's share price.	No[1]

1 These awards are not hedged as the exposure is deemed to be insignificant.

Approach to managing own equity-linked transactions

The ALCOs of the respective group entities that issue the equity-linked transactions approve hedges of the group's share price risk with quarterly reporting to group ALCO which is chaired by the group financial director. Hedging is undertaken taking into account a number of considerations which include:

- expected share price levels based on investment analyst reports
- the value of the issued share scheme awards
- the cost of hedging
- the ability to hedge taking into account the nature of the share scheme and applicable legislative requirements.

Hedging instruments typically include equity forwards and equity options. Hedge accounting in terms of IFRS is applied to the extent that the hedge accounting requirements are complied with.

In terms of the Johannesburg Stock Exchange Listings Requirements, hedges are only permitted to be transacted outside of the group's closed periods which are in effect from 1 January and 1 July to the publication of the group's year end and interim results respectively and where the group is trading under a cautionary announcement.

POST-EMPLOYMENT OBLIGATION RISK

The group operates both defined contribution plans and defined benefit plans, with the majority of its employees participating in defined contribution plans. The group's defined benefit pension and healthcare provider schemes for past and certain current employees create post-employment obligations. Post-employment obligation risk arises from the requirement to contribute as an employer to an under-funded defined benefit plan.

The group mitigates these risks through independent asset managers and independent asset and liability management advisors for material funds. Potential residual risks which may impact the group are managed within the group asset and liability management process. Refer to note 47 in the annual financial statements for more detail on the group's post-employment obligation risk.

Operational risk

DEFINITION

Operational risk is the risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.

Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- cyber risk
- information risk
- financial crime risk
- technology risk
- model risk
- tax risk
- legal risk
- environmental and social risk
- compliance risk (more information on page 54)

The following risk types are part of the extended operational risk taxonomy and considered for capital allocation in the ICAAP process:

- physical assets risk
- human capital risk
- accounting and financial risk.

APPROACH TO MANAGING OPERATIONAL RISK

Operational risk exists in the natural course of business activity. The group operational risk governance standard sets out the minimum standards for operational risk management adopted across the group. The governance standard seeks to ensure adequate and consistent governance, identification, assessment, monitoring, managing and reporting of operational risk to support the group's business areas.

The standard also ensures that the relevant regulatory criteria can be met by those banking entities adopting the AMA or TSA for regulatory capital purposes.

The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The operational risk management function is independent and part of the second line of defence reporting to the group CRO.

The core capabilities of operational risk ensure alignment and integration across:

- developing and maintaining the operational risk governance framework
- facilitating the business's adoption of the framework
- regulatory oversight
- monitoring and assurance
- reporting
- challenging the risk profile and providing guidance and advice as thought leaders.

The operational risk management team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best-practice solutions. Through the use of self-assessments and risk-focused reviews, an independent team provides objective monitoring and assessment of the adequacy and effectiveness encompassing the implementation of the operational risk governance framework. To ensure regulatory compliance, the team also provides an assessment of regulatory requirements which are to be implemented within embedded operational risk management functions.

Individual teams are dedicated to each business line and report to the business unit CRO with a functional reporting line to the group head of operational risk management. The group function provides dedicated teams to corporate functions such as finance, IT and human capital. These teams work alongside their corporate function areas and facilitate the adoption of the operational risk governance framework. As part of the second line of defence, they also monitor and challenge management in respect of their operational risk profile.

Business continuity management is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of both the group and its stakeholders. The group's business continuity management framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The group's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

INSURANCE COVER

The group buys insurance to mitigate operational risk. This cover is reviewed on an annual basis. The group insurance committee oversees a substantial insurance programme designed to protect the group against loss resulting from its business activities.

The principal insurance policies in place are the group crime, professional indemnity, and group directors' and officers' liability policies. In addition, the group has fixed assets and liabilities coverage in respect of office premises and business contents, third-party liability for visitors to the group's premises, and employer's liability. The group's business travel policy provides cover for group staff while travelling on behalf of the group.

GOVERNANCE

The primary management level governance committees overseeing operational risk are GROC and the group operational risk committee. The primary governance documents are the operational risk governance standard and the operational risk governance framework.

Operational risk subtypes report to various governance committees and have governance documents applicable to each risk subtype.

APPROVED REGULATORY CAPITAL APPROACH

The group has approval from the SARB to use the AMA for SBSA and TSA for all other legal entities.

The impact of the pending Basel framework amendments on approved regulatory capital approaches is currently uncertain. These changes may impact the approaches used to estimate operational risk capital demand under both pillar I and pillar II of the Basel framework, and may also impact risk management practices depending on the final principles for the sound management of operational risk expected towards the end of 2017/beginning of 2018. The BCBS is expected to publish finalised Basel framework amendments during 2017, after which the group will be able to determine the amendments to capital approaches required to comply with revised requirements, as well as the impact of these revisions.

OPERATIONAL RISK SUBTYPES

Cyber risk

Cyber risk may arise as a result of the disclosure, modification, destruction or theft of information stored, or transmitted on systems or networks, or from the unavailability of the transaction site, systems or networks.

The group IT security team manages this risk, which is caused by the top global cyber threats to the financial industry – financial malware, disruption through denial of service attacks, extortion through ransomware and data breaches. Three of the four of these threat types materialised and were mitigated in the 1st quarter of 2017.

The group's strategy for defending against these threats includes:

- **governance:** board awareness sessions conducted across Africa and internationally to raise the profile and urgency of cybersecurity
- **culture:** general and focused awareness campaigns to create a security mindset with all staff
- **capability:** advancing the group's technical defensive capabilities to predict, prevent, detect and respond to cyber incidents
- **community:** industry sharing through the South African Banking Risk Information Centre and other threat-sharing forums.

Current and emerging cybercrime and cybersecurity threats receive increased focus through continued improvement of people, process and system vulnerabilities, including increased internal and third-party attention. This enables the proactive deployment of resources to better manage cyber threats and crimes and allows for protection of the group's information assets. The group's insurance programme continues to evolve to ensure coverage for emerging cyber-related risks.

Information risk

Information risk is the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information assets and business information assets.

Information risk management is incorporated into day-to-day operations, ensuring protection of the confidentiality, integrity and availability of information assets. Information risk is applied across the entire information lifecycle. In addition, it includes the classification of information assets and the criticality of these assets to the group's strategy.

Legislation such as the Promotion of Access to Information Act 2 of 2000 (PAIA) deals specifically with the protection of personal identifiable information, whereas the management of information risk includes other information types such as payment, card, financial, risk, transactional and technology information.

The PAIA gives effect to the constitutional right of access to information that is held by a private or public body. The group privacy office has a process in terms of this Act to manage requests for access to information.

During 1H17, the group processed 37 (FY16: 99) requests for access to information, of which six were granted, 27 were denied and four are still in progress.

The reasons for the denial of access were:

- five were for information that either did not exist or was related to third parties and consent was denied/ not obtained to release the information
- thirteen were denied based on no feedback being received from the requestors when asked for additional follow-up information
- nine were denied as there was no PAIA request or the requests needed no PAIA intervention.

The group continues to build awareness, thought leadership and controls that are aligned to emerging risks such as information risk. The group continues to enhance the data privacy control environment by including measures for security safeguards and lawful processing practices and by assisting data subjects (person whose information is accessible) to exercise their rights.

Financial crime risk

Financial crime risk is the risk of economic loss, reputational risk and regulatory sanction arising from any type of financial crime against the group. Financial crime includes fraud, money laundering, violent crime and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties.

The improvement of the prediction, prevention and response capabilities that contribute towards an improved customer experience is receiving greater focus. A fraud and security command centre has been established to enhance digital security processes and people capabilities, supplementing the technology solutions in place.

A fraud risk management model is being enhanced in consultation with industry experts. Further initiatives see the use of advanced analytics and data science techniques enhancing employee, foreign exchange and insurance fraud detection capabilities.

Upgrades to the card fraud detection system for immediate fraud analytics have been rolled out. This system provides for instantaneous fraud detection for debit and credit card transactions on the ATM, point of sale and branch channels.

Technology risk

Technology risk encompasses both technology risk and technology change risk. Technology risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of technology within the group. It consists of technology-related events and conditions that could potentially impact the business. Technology change risk refers to the risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability.

The advancement of technology has brought about rapid changes in the way businesses and operations are being conducted in the financial industry. Technology is a strategic asset that enables business strategies, often directly defining external customer experience and fulfilling their needs. As technology becomes increasingly important and integrated into business processes, the need for adequate and effective governance and management of resources, risks and constraints becomes imperative.

The board is responsible for ensuring that prudent and reasonable steps have been taken with respect to fulfilling its responsibilities for IT governance. To assist the board to fulfil this obligation, the group IT committee has been delegated the authority to ensure the implementation of the IT governance framework. It delegates this responsibility to management. The group IT executive committee provides assurance that management has implemented an effective IT governance framework. The group IT architecture governance committee and a group technology risk and compliance committee assists the group IT executive committee in the fulfilment of its architecture and risk obligations.

Technology risk, as it relates to financial reporting and the going concern aspects of the organisation, is the responsibility of the GAC.

The group's main technology risks include the failure or interruption of critical systems, cybercrime, unauthorised access to systems and the inability to serve its customers' needs in a timely manner. These risks are mitigated through various controls which are implemented and closely monitored by management. The group continuously reviews and invests in its security systems and processes to ensure that its customers are well-protected. Actions to reduce the likelihood of risks materialising and / or severity or impact are identified and accountabilities for remediation are allocated to management.

In addition, group IT identifies and manages any risk that may impede its ability to achieve the strategic objectives. The internal and external context relevant to group IT is regularly assessed to determine any changes to the group IT set of top risks and, where these impact the risk profile, mitigating actions are reviewed to manage the risks back to within appetite. A group IT risk and compliance committee, a mandated sub-committee of group IT management committee, meets on a quarterly basis to serve as an oversight body and to decide and / or approve matters escalated to it under the terms of its mandate. Specific board oversight of technology risk is within the mandate of the group IT committee.

Model risk

Model risk arises from potential weaknesses in a model that is used in the measurement, pricing and management of risk. These weaknesses include incorrect assumptions, incomplete information, inaccurate implementation, limited model understanding, inappropriate use or inappropriate methodologies leading to incorrect conclusions by the user.

Model risk is mitigated through the following principles:

- fit-for-purpose governance
- maintaining a pool of skilled and experienced technical specialists
- robust model-related processes.

To give effect to these principles, model risk is governed by the model risk governance framework. This framework defines model risk, the scope of models, documentation needs, model materiality considerations, high-level model development requirements, validation requirements, usage and monitoring requirements, the governance and approval processes, and the roles and responsibilities across the three lines of defence. Model risk leverages the operational risk framework.

Tax risk

Tax risk is the possibility of suffering unexpected loss, financial or otherwise, as a result of the application of tax systems, whether in legislative systems, rulings or practices, applicable to the entire spectrum of taxes and other fiscal imposts to which the group is subject.

The group's approach to tax risk is governed by the GAC-approved tax risk control framework which includes the tax strategy and governance standard which, in turn, is supported by policies dealing with specific aspects of tax risk such as, for example, transfer pricing, indirect taxes, withholding taxes and remuneration-related taxes.

Legal risk

Legal risk is defined as the exposure to adverse consequences, attendant upon non-compliance with legal or statutory responsibilities and/or legal rights not being binding or enforceable. Management of this risk entails constant monitoring of new laws, monitoring of changes in existing laws, monitoring of changes in interpretations of existing laws by appropriate authorities and ensuring that all obligations imposed by such laws are discharged and all rights acquired are valid, binding and enforceable. This applies to the full scope of group activities and may also include others acting on behalf of the group.

The group has processes and controls in place to identify, manage and mitigate its legal risks.

In April 2015, the South African Competition Commission announced that it had initiated a complaint against Standard New York Securities Inc. (SNYS) and 21 other institutions concerning possible contravention of the Competition Act in relation to USD/ZAR trading between 2007 and 2013. No mention was made of SBSA. On 15 February 2017 the Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against SBSA and two against SNYS, in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group only learned of the complaints at this time. SBSA has made an application to the Competition Tribunal for an order directing the Competition Commission to deliver a copy of the documents and other evidence that it relied upon when deciding to refer its complaint to the Tribunal, the application being necessary due to the Competition Commission's failure to comply with the applicable rules in this regard. Both SBSA and SNYS have, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. A date for the hearing of those applications has yet to be set. The group considers these allegations in an extremely serious light and remains committed to maintaining the highest levels of control and compliance with all relevant regulations. The allegations, against SBSA, are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly.

Environmental and social risk

Environmental risk is described as a measure of the potential threats to the environment that lending or financial services activities may have. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of the degradation. Environmental risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles.

Social risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and social risk assessment and management deals with two aspects:

- **indirect risk:** the environmental and social risks which occur as a result of our lending or financial services activities
- **direct risk:** these include our direct environmental and social impact, such as our waste management and the use of energy and water within group facilities.

The environmental and social risk team, and the finance team are responsible for the identification, management, monitoring and reporting of financing risks. The group policy, advocacy and sustainability team is responsible for policy development, sustainability reporting and stakeholder engagement.

The group has an environmental and social risk management policy and subscribes to a number of international norms and codes, such as those of the United Nations Environment Programme Finance Initiative, the Equator Principles and the Banking Association South Africa's code of conduct for banks. In support of these policy commitments, it has developed guidance to bankers, screening tools to assist in categorising environmental and social risk and various training programmes to assist credit evaluators, dealmakers and other key individuals.

Business risk

Business risk is the risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.

Business risk is, therefore, not directly attributable to internal operational failures or external market price events, but nevertheless covers a host of internal and external factors.

Business risk includes strategic risk. Strategic risk is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder returns. The group's business plans and strategies are discussed and approved by executive management and the board and, where appropriate, subjected to stress tests.

Business risk is usually caused by the following:
- inflexible cost structures
- market-driven pressures, such as decreased demand, increased competition or cost increases
- group-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

The group mitigates business risk in a number of ways, including:
- performing extensive due diligence during the investment appraisal process, in particular for new acquisitions and joint ventures
- detailed analysis of the business case for, and financial, operational and reputational risk associated with, disposals
- the application of new product processes per business line through which the risks and mitigating controls for new and amended products and services are evaluated
- stakeholder management to ensure favourable outcomes from external factors beyond the group's control
- monitoring the profitability of product lines and customer segments
- maintaining tight control over the group's cost base, including the management of its cost-to-income ratio, which allows for early intervention and management action to reduce costs
- being alert and responsive to changes in market forces
- a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth; and building contingency plans into the budget that allow for costs to be significantly reduced in the event that expected revenues do not materialize
- increasing the ratio of variable costs to fixed costs which creates flexibility to reduce costs during an economic downturn.

The primary governance committee for overseeing this risk is the group ALCO.

Reputational risk

Reputational risk is the risk of potential or actual damage to the group's reputation that may impair the profitability and/or sustainability of its business. Reputation is defined as what stakeholders say and think about the group, including its staff, customers and clients, investors, counterparties, regulators, policy-makers, and society at large. Analysts, journalists, academics and opinion leaders also determine the group's reputation. The group's reputation can be harmed from an actual or perceived failure to fulfil the expectations of our stakeholders due to a specific incident or from repeated breaches of trust.

Reputational harm can adversely affect the group's ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licenses and approvals.

Safeguarding and proactively managing the group's reputation is of paramount importance. There is growing awareness of reputational risks arising from compliance breaches, as well as from ethical considerations linked to countries, clients and sectors, social and environmental considerations.

The group is increasingly managing reputational risk from a tactical and reactive perspective, as well as from a strategic and proactive perspective. In respect to crisis response, the group's crisis management processes are designed to minimise the reputational impact of such events or developments. Crisis management teams are in place both at executive and business line level. This includes ensuring that the group's perspective is fairly represented in the media. In addition, more attention is being paid to leveraging opportunities to proactively bolster the group's reputation amongst influential stakeholders through programmes including stakeholder engagement, advocacy, sponsorships, and corporate social initiatives.

The principal governance document is the reputational risk governance standard and the group's qualitative RAS includes a statement on reputation.

The newly established supplier risk management committee ensures enhanced due diligence for the suppliers that the group deals with. In this regard, matters such as participation in financial crime or in activities that could cause reputational damage to the group are considered. This committee considers new relationships as well as relationships where the risk profile of the supplier changed.

The group's code of ethics is an important reference point for all staff. The group ethics officer and group chief executives are the formal custodians of the code of ethics.

Restatements

CAPITAL ADEQUACY RATIOS OF BANKING SUBSIDIARIES

The capital adequacy ratio for FY16 was restated to align to Liberty's disclosure.

Refer to **page 14**.

CR3: CRM TECHNIQUES

The amounts presented for FY16 have been restated to ensure that amounts secured by more than one credit risk mitigation technique are only disclosed as secured in one of the categories. This ensures that overcollateralisation is not reflected in the tables.

Refer to **page 33**.

CR7: IRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

The FY16 disclosure quantified the impact of other credit risk mitigation techniques in addition to credit derivatives. The FY16 figures have been restated to consider the RWA impact of credit derivatives only.

Refer to **page 34**.

COUNTRY RISK

Medium- and high-risk country EAD concentration by country ceiling has been restated to exclude cross-border exposure to South Africa.

Refer to **page 58**.

LIQUIDITY COVERAGE RATIO

The FY16 stable deposits have been restated to exclude the depositor compensation scheme for Wealth International which was previously classified as less stable deposits.

Refer to **page 62**.

BANKING BOOK EQUITY PORTFOLIO CHARACTERISTICS

During 2016, the carrying amount of certain treasury bills was erroneously allocated to listed investments. Consequently, the FY16 amounts presented have been restated. The restatement did not affect the group's SOFP.

Refer to **page 75**.

Annexures

Annexure A – IRB credit risk exposures (pillar 3)

CR6: IRB –CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

Corporates

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**17 158**	**9 452**	**46.06**	**21 566**	**0.08**
0.15 to < 0.25	**51 082**	**12 640**	**51.15**	**57 614**	**0.22**
0.25 to < 0.50	**92 957**	**54 890**	**42.64**	**116 717**	**0.39**
0.50 to < 0.75	**31 446**	**11 141**	**44.83**	**36 436**	**0.64**
0.75 to < 2.50	**52 431**	**16 439**	**52.34**	**61 337**	**1.37**
2.50 to < 10.00	**8 391**	**3 438**	**48.00**	**10 072**	**3.88**
10.00 to < 100.00	**1 488**	**171**	**74.61**	**1 640**	**12.68**
100.00 (default)	**3 502**	**554**	**53.89**	**3 801**	**100.00**
Sub-total	**258 455**	**108 725**	**45.56**	**309 183**	**1.96**
FY16					
0.00 to < 0.15	10 796	10 580	45.80	18 700	0.09
0.15 to < 0.25	40 465	13 430	43.06	47 939	0.22
0.25 to < 0.50	85 036	46 696	47.75	107 542	0.39
0.50 to < 0.75	38 963	18 756	46.23	47 136	0.64
0.75 to < 2.50	49 490	16 472	48.87	57 155	1.38
2.50 to < 10.00	14 488	5 488	52.90	14 324	3.81
10.00 to < 100.00	2 453	330	73.88	2 710	17.26
100.00 (default)	2 724	430	50.00	2 939	100.00
Sub-total	244 415	112 182	47.29	298 445	1.87

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
144	**32.11**	**2.00**	**3 704**	**17.18**	**5**	
185	**20.84**	**1.80**	**10 790**	**18.73**	**26**	
641	**24.71**	**2.10**	**40 920**	**35.06**	**113**	
291	**24.09**	**2.00**	**14 777**	**40.56**	**56**	
4 863	**31.97**	**1.90**	**42 898**	**69.94**	**270**	
255	**33.39**	**1.60**	**10 026**	**99.54**	**128**	
66	**31.24**	**1.70**	**2 304**	**140.49**	**72**	
146	**41.83**	**2.50**	**2 290**	**60.25**	**2 347**	
6 591	**26.40**	**2.00**	**127 709**	**41.31**	**3 017**	**3 702**
112	32.80	1.90	3 463	18.52	5	
179	21.18	1.90	9 597	20.02	22	
545	23.90	2.10	35 199	32.73	101	
292	27.27	1.90	21 844	46.34	82	
1 619	30.81	1.90	39 785	69.61	248	
3 582	33.65	1.60	14 713	102.72	190	
84	37.07	1.50	4 843	178.71	184	
536	35.97	1.30	218	7.42	2 044	
6 949	26.58	1.90	129 662	43.45	2 876	2 512

Specialised lending – high volatility commercial real estate (property development)

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15					
0.15 to < 0.25					
0.25 to < 0.50					
0.50 to < 0.75					
0.75 to < 2.50	**13**			**13**	**1.43**
2.50 to < 10.00	**26**			**26**	**2.56**
10.00 to < 100.00					
100.00 (default)	**6**			**6**	**100.00**
Sub-total	**45**			**45**	**14.65**
FY16					
0.00 to < 0.15					
0.15 to < 0.25					
0.25 to < 0.50	75			75	0.45
0.50 to < 0.75					
0.75 to < 2.50	11			11	0.90
2.50 to < 10.00	388			388	3.58
10.00 to < 100.00					
100.00 (default)	39			39	100.00
Sub-total	513			513	10.40

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
2	**10.19**	**2.20**	**3**	**26.83**		
2	**10.79**	**1.00**	**7**	**22.92**		
2	**15.08**	**5.00**			**5**	
6	**11.16**	**1.80**	**10**	**21.12**	**5**	**5**
1	8.92	1.00	10	13.23		
2	10.71	1.00	2	21.53		
3	25.63	1.00	289	74.65	3	
2	15.21	5.00			26	
8	22.07	1.30	301	58.87	29	28

Specialised lending – income-producing real estate

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**4**			**4**	**0.11**
0.15 to < 0.25	**637**			**637**	**0.21**
0.25 to < 0.50	**5 626**			**5 626**	**0.43**
0.50 to < 0.75	**4 112**			**4 112**	**0.64**
0.75 to < 2.50	**5 777**	**6**	**91.28**	**5 782**	**1.09**
2.50 to < 10.00	**914**			**914**	**3.42**
10.00 to < 100.00	**10**			**10**	**27.07**
100.00 (default)	**54**			**54**	**100.00**
Sub-total	**17 134**	**6**	**91.28**	**17 139**	**1.19**
FY16					
0.00 to < 0.15	2			2	0.11
0.15 to < 0.25	382			382	0.20
0.25 to < 0.50	5 600	19	100.00	5 620	0.43
0.50 to < 0.75	3 422	44	99.07	3 465	0.64
0.75 to < 2.50	5 080	5	98.10	5 085	1.16
2.50 to < 10.00	937			937	3.57
10.00 to < 100.00	9			9	20.40
100.00 (default)	31			31	100.00
Sub-total	15 463	68	99.26	15 531	1.11

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
11	**5.00**	**1.1**		**2.50**		
58	**10.62**	**3.0**	**75**	**11.72**		
170	**12.11**	**2.8**	**1 053**	**18.71**	**3**	
155	**13.09**	**2.8**	**961**	**23.38**	**4**	
186	**17.18**	**2.4**	**2 138**	**36.97**	**11**	
72	**21.35**	**2.6**	**613**	**67.02**	**7**	
3	**8.24**	**3.5**	**5**	**49.69**		
10	**13.00**	**2.7**	**70**	**129.27**	**6**	
665	**14.50**	**2.70**	**4 915**	**28.67**	**31**	**85**
10	5.19	1.4		2.87		
75	8.09	2.6	32	8.28		
197	12.36	2.7	1 059	18.85	3	
167	12.99	2.7	810	23.37	3	
193	15.93	2.3	1 732	34.10	10	
75	22.10	2.3	653	69.64	8	
3	8.21	3.9	5	49.06		
9	18.33	2.8	14	43.34	10	
729	14.16	2.5	4 305	27.72	34	26

Specialised lending – project finance

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15					
0.15 to < 0.25	**1 597**	**389**	**54.00**	**1 806**	**0.23**
0.25 to < 0.50	**4 485**	**4**	**50.00**	**4 489**	**0.39**
0.50 to < 0.75	**3 700**	**3**	**50.00**	**3 701**	**0.64**
0.75 to < 2.50	**4 540**	**387**	**100.00**	**4 927**	**1.58**
2.50 to < 10.00	**1 497**			**1 497**	**4.83**
10.00 to < 100.00					
100.00 (default)	**742**			**742**	**100.00**
Sub-total	**16 561**	**783**	**69.84**	**17 162**	**5.46**
FY16					
0.00 to < 0.15					
0.15 to < 0.25	367			367	0.23
0.25 to < 0.50	5 502	319	64.80	5 709	0.42
0.50 to < 0.75	4 035	68	50.00	4 069	0.64
0.75 to < 2.50	5 283	870	68.96	5 882	1.36
2.50 to < 10.00	1 933			1 933	4.46
10.00 to < 100.00					100.00
100.00 (default)	759			759	
Sub-total	17 879	1 257	66.50	18 719	5.21

	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
	2	**21.09**	**3.3**	**487**	**26.95**	**1**	
	12	**20.16**	**4.6**	**1 849**	**41.19**	**4**	
	8	**22.12**	**4.8**	**1 981**	**53.52**	**5**	
	9	**27.75**	**4.3**	**3 754**	**76.19**	**22**	
	4	**24.97**	**3.5**	**1 468**	**98.08**	**20**	
	2	**37.22**	**4.9**	**18**	**2.48**	**405**	
	37	**24.02**	**4.3**	**9 557**	**55.69**	**457**	**481**
	1	17.09	4.7	100	27.25		
	14	21.73	4.6	2 539	44.47	5	
	8	22.73	4.5	2 144	52.69	6	
	10	28.11	4.3	4 392	74.67	23	
	5	19.68	3.4	1 356	70.15	16	
	2	37.23	5.0	924	121.74	350	
	40	24.28	4.4	11 455	61.19	400	382

SME corporate

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**1 366**	**154**	**89.65**	**1 519**	**0.06**
0.15 to < 0.25	**2 735**	**156**	**71.10**	**2 876**	**0.17**
0.25 to < 0.50	**2 518**	**538**	**72.31**	**2 976**	**0.33**
0.50 to < 0.75	**4 745**	**333**	**68.71**	**4 974**	**0.64**
0.75 to < 2.50	**14 759**	**909**	**65.66**	**15 444**	**1.36**
2.50 to < 10.00	**4 407**	**370**	**64.12**	**4 666**	**3.81**
10.00 to < 100.00	**517**	**147**	**53.54**	**597**	**13.98**
100.00 (default)	**719**		**50.00**	**719**	**100.00**
Sub-total	**31 766**	**2 607**	**67.61**	**33 771**	**3.67**
FY16					
0.00 to < 0.15	645	80	70.68	1 514	0.07
0.15 to < 0.25	2 675	131	74.63	3 053	0.17
0.25 to < 0.50	2 719	565	72.41	2 400	0.36
0.50 to < 0.75	5 369	246	63.08	5 539	0.64
0.75 to < 2.50	12 276	930	65.24	12 729	1.28
2.50 to < 10.00	2 197	344	63.59	2 437	4.40
10.00 to < 100.00	595	23	70.83	616	11.32
100.00 (default)	469		50.00	469	100.00
Sub-total	26 945	2 319	67.25	28 757	2.99

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
29	**33.95**	**1.7**	**195**	**12.81**		
36	**17.64**	**1.3**	**363**	**12.62**	**1**	
132	**28.08**	**1.7**	**979**	**32.91**	**4**	
46	**10.06**	**2.1**	**764**	**15.36**	**3**	
578	**19.37**	**2.2**	**6 062**	**39.25**	**43**	
228	**26.18**	**2.2**	**3 362**	**72.06**	**50**	
11	**41.44**	**2.4**	**1 089**	**182.44**	**37**	
33	**39.68**	**2.6**	**66**	**9.14**	**314**	
1 093	**20.83**	**2.1**	**12 880**	**38.14**	**452**	**469**
29	35.14	1.8	224	14.8		
39	28.00	1.4	581	19.03	1	
109	29.17	1.7	817	34.04	3	
52	12.49	2.2	1 084	19.57	4	
286	20.12	2.1	5 204	40.88	35	
99	24.89	2.0	1 710	70.17	29	
23	28.31	1.7	690	112.01	20	
17	29.64	3.0			261	
654	21.77	2.0	10 310	35.85	353	327

Securities firms

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**32**			**32**	**0.08**
0.15 to < 0.25	**14**	**283**	**39.49**	**126**	**0.22**
0.25 to < 0.50	**3**		**50.00**	**3**	**0.45**
0.50 to < 0.75			**75.00**		**0.69**
0.75 to < 2.50	**1**	**1**	**49.50**	**1**	**1.58**
2.50 to < 10.00			**75.00**		**3.93**
10.00 to < 100.00					**10.68**
100.00 (default)					
Sub-total	**50**	**284**	**39.50**	**162**	**0.21**
FY16					
0.00 to < 0.15	380			380	0.08
0.15 to < 0.25	133	167	30.22	201	0.23
0.25 to < 0.50	15	3	50.00	16	0.32
0.50 to < 0.75					
0.75 to < 2.50	7	1	99.43	7	1.76
2.50 to < 10.00					
10.00 to < 100.00					
100.00 (default)					
Sub-total	535	171	30.88	604	0.16

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
12	**40.74**	**1.0**	**7**	**20.60**		
9	**40.22**	**1.0**	**48**	**38.81**		
6	**40.09**	**1.0**	**2**	**47.10**		
4	**31.19**	**1.0**		**81.18**		
20	**40.09**	**1.0**	**1**	**81.90**		
11	**31.19**	**1.0**		**88.63**		
10	**31.19**	**1.0**		**132.68**		
72	**40.30**	**1.0**	**58**	**35.77**		**43**
13	40.57	1.0	75	19.80		
8	40.09	1.0	80	40.04		
10	40.09	1.0	7	39.40		
29	39.73	1.0	6	87.64		
60	40.39	1.0	168	27.84		

Sovereign

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**83 415**	**2**	**50.47**	**83 416**	**0.01**
0.15 to < 0.25	**31**		**9.73**	**31**	**0.23**
0.25 to < 0.50	**2 367**	**22**	**16.13**	**2 368**	**0.45**
0.50 to < 0.75		**6**	**9.73**	**1**	**0.65**
0.75 to < 2.50	**2 281**	**142**	**27.81**	**2 342**	**0.96**
2.50 to < 10.00	**8**	**13**	**28.07**	**8**	**9.21**
10.00 to < 100.00	**24**	**30**	**24.49**	**25**	**31.49**
100.00 (default)	**2**			**2**	**100.00**
Sub-total	**88 128**	**215**	**24.36**	**88 193**	**0.06**
FY16					
0.00 to < 0.15	80 631	3	53.67	82 357	0.01
0.15 to < 0.25					
0.25 to < 0.50	2 591	19	13.64	2 594	0.45
0.50 to < 0.75		12	10.14	1	0.67
0.75 to < 2.50	2 608	323	51.32	1 040	1.10
2.50 to < 10.00	18	16	37.97	19	4.73
10.00 to < 100.00	21	17	42.16	22	21.54
100.00 (default)	3			3	100.00
Sub-total	85 872	390	50.04	86 036	0.05

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
7	**29.18**	**2.0**	**3 339**	**4.00**	**3**	
3	**30.66**	**1.0**	**8**	**26.12**		
8	**34.98**	**1.0**	**963**	**40.67**	**4**	
5	**37.66**	**1.0**		**53.19**		
9	**45.99**	**2.0**	**1 992**	**85.03**	**11**	
9	**37.66**	**1.0**	**13**	**150.20**		
18	**37.66**	**1.0**	**52**	**206.47**	**3**	
6	**37.66**	**1.0**	**2**	**112.03**	**1**	
65	**29.78**	**1.6**	**6 369**	**7.22**	**22**	**420**
7	28.67	1.4	2 917	3.54	3	
9	34.97	1.0	1 054	40.68	4	
5	32.61	1.0	1	54.37		
12	49.34	1.0	909	87.42	6	
6	32.61	1.0	22	115.22		
13	32.61	1.0	42	192.20	2	
7	32.61	1.0	3	101.64	1	
59	29.11	1.4	4 948	5.75	16	11

Public sector entities

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**3 906**		**55.99**	**3 906**	**0.02**
0.15 to < 0.25	**2 841**	**2 909**	**43.04**	**4 279**	**0.22**
0.25 to < 0.50	**11 357**	**5 959**	**41.16**	**13 811**	**0.41**
0.50 to < 0.75	**8**	**23**	**26.66**	**10**	**0.61**
0.75 to < 2.50	**917**	**14**	**30.56**	**923**	**0.92**
2.50 to < 10.00	**864**	**145**	**43.85**	**934**	**4.58**
10.00 to < 100.00	**4**	**3**	**20.43**	**4**	**26.16**
100.00 (default)					**100.00**
Sub-total	**19 897**	**9 053**	**41.70**	**23 867**	**0.50**
FY16					
0.00 to < 0.15	9 747	5 891	42.53	12 236	0.02
0.15 to < 0.25	2 784	1 818	33.10	3 395	0.22
0.25 to < 0.50	6 611	543	41.64	6 816	0.40
0.50 to < 0.75		8	18.49	2	0.66
0.75 to < 2.50	18	7	39.23	20	1.28
2.50 to < 10.00	641	9	72.67	642	3.62
10.00 to < 100.00	5	1	39.40	5	22.19
100.00 (default)					
Sub-total	19 806	8 277	41.55	23 116	0.27

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
25	**28.42**	**3.1**	**375**	**9.60**		
64	**26.34**	**3.0**	**1 365**	**31.91**	**3**	
85	**21.21**	**3.4**	**4 992**	**36.14**	**13**	
80	**36.52**	**1.2**	**5**	**49.90**		
553	**26.12**	**1.7**	**448**	**48.50**	**2**	
257	**16.19**	**1.1**	**444**	**47.56**	**6**	
122	**37.61**	**1.0**	**8**	**200.98**		
1	**37.66**	**1.0**		**112.03**		
1 187	**23.31**	**3.1**	**7 637**	**32.00**	**24**	**113**
8	30.57	2.8	3 612	29.52	11	
11	26.29	2.9	884	26.05	3	
19	18.55	3.0	1 575	23.10	3	
8	26.22	2.0	1	45.51		
46	25.07	2.4	11	52.47		
60	24.16	1.0	189	29.40	3	
41	32.61	1.0	9	198.89		
(1)						
192	26.21	2.8	6 281	27.17	20	6

Local government and municipalities

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**61**			**61**	**0.13**
0.15 to < 0.25	**15**			**15**	**0.23**
0.25 to < 0.50	**45**	**678**	**39.05**	**310**	**0.33**
0.50 to < 0.75	**790**	**499**	**39.50**	**987**	**0.64**
0.75 to < 2.50	**1 083**	**76**	**74.36**	**1 154**	**2.31**
2.50 to < 10.00	**1**		**75.00**	**1**	**4.18**
10.00 to < 100.00	**3**	**1**	**10.98**	**4**	**10.84**
100.00 (default)					**100.00**
Sub-total	**1 998**	**1 254**	**40.32**	**2 532**	**1.37**
FY16					
0.00 to < 0.15	67			67	0.12
0.15 to < 0.25	2	3	75.00	5	0.23
0.25 to < 0.50	51	700	39.45	329	0.32
0.50 to < 0.75	1 123	199	54.00	1 230	0.64
0.75 to < 2.50	206	72	73.51	277	1.26
2.50 to < 10.00	459		68.59	459	2.85
10.00 to < 100.00	20			20	11.46
100.00 (default)	1			1	100.00
Sub-total	1 929	974	45.06	2 388	1.21

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
19	31.17	1.0	25	40.47		
9	26.27	1.0	3	21.32		
14	21.37	1.0	69	22.10		
9	23.27	4.0	512	51.84	1	
49	30.47	1.0	1 171	101.60	9	
10	22.72	2.0	1	66.52		
15	30.47	1.0	6	159.88		
2	37.46	1.0		108.52		
127	26.53	2.2	1 787	70.58	10	12
19	33.09	1.0	27	40.69		
6	29.81	1.5	1	23.35		
17	21.47	1.1	69	20.94		
6	22.90	3.6	610	49.51	2	
42	29.51	2.2	172	62.20	1	
20	33.12	1.0	564	122.97	4	
8	24.86	2.3	24	116.59	1	
3	32.70	1.0	1	85.08		
121	25.76	2.5	1 468	61.46	8	6

Banks

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**32 801**	**6 044**	**90.54**	**38 274**	**0.07**
0.15 to < 0.25	**4 392**	**450**	**93.08**	**4 811**	**0.16**
0.25 to < 0.50	**1 311**	**141**	**86.14**	**1 432**	**0.33**
0.50 to < 0.75	**14**	**187**	**55.52**	**118**	**0.64**
0.75 to < 2.50	**2 551**	**293**	**29.58**	**2 637**	**1.55**
2.50 to < 10.00	**187**	**533**	**26.24**	**327**	**2.98**
10.00 to < 100.00					
100.00 (default)					**100.00**
Sub-total	**41 256**	**7 648**	**71.60**	**47 599**	**0.19**
FY16					
0.00 to < 0.15	32 774	6 691	87.74	38 645	0.08
0.15 to < 0.25	9 133	593	95.87	9 701	0.21
0.25 to < 0.50	839	311	55.94	1 011	0.33
0.50 to < 0.75	21	25	87.91	43	0.64
0.75 to < 2.50	3 654	407	23.60	3 750	1.48
2.50 to < 10.00	685	793	20.51	848	2.58
10.00 to < 100.00		14	99.76	14	10.26
100.00 (default)	22			22	100.00
Sub-total	47 128	8 834	78.19	54 034	0.29

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
97	**40.20**	**1.1**	**6 943**	**18.14**	**12**	
16	**43.79**	**1.2**	**1 868**	**38.82**	**3**	
22	**44.99**	**1.0**	**677**	**47.28**	**2**	
6	**47.04**	**1.0**	**78**	**66.00**		
28	**49.67**	**1.0**	**2 689**	**101.97**	**20**	
11	**29.71**	**1.1**	**263**	**80.45**	**3**	
1	**61.93**	**5.0**				
181	**41.18**	**1.1**	**12 518**	**26.30**	**40**	**307**
103	40.54	1.0	7 658	19.82	12	
24	43.81	1.1	4 199	43.28	9	
47	44.97	1.0	579	57.27	2	
9	47.04	1.0	29	67.79		
57	49.51	1.0	3 740	99.73	26	
23	26.71	1.0	558	65.80	6	
8	55.41	1.0	37	270.50	1	
2	60.16	4.8			22	
273	41.63	1.0	16 800	31.09	78	58

Retail mortgages

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**2 596**	**17 828**	**50.54**	**11 607**	**0.11**
0.15 to < 0.25	**13 200**	**14 586**	**52.54**	**20 863**	**0.20**
0.25 to < 0.50	**48 729**	**5 361**	**63.22**	**52 121**	**0.38**
0.50 to < 0.75	**57 168**	**1 169**	**117.49**	**58 546**	**0.62**
0.75 to < 2.50	**111 409**	**434**	**148.36**	**112 151**	**1.31**
2.50 to < 10.00	**51 554**	**123**	**106.09**	**51 716**	**4.24**
10.00 to < 100.00	**24 308**	**3**	**126.65**	**24 312**	**28.43**
100.00 (default)	**14 167**			**14 167**	**100.00**
Sub-total	**323 131**	**39 504**	**54.17**	**345 483**	**7.34**
FY16					
0.00 to < 0.15	881	12 805	43.48	6 452	0.12
0.15 to < 0.25	14 597	20 199	45.21	23 744	0.19
0.25 to < 0.50	60 590	5 931	62.21	64 293	0.39
0.50 to < 0.75	51 075	776	124.11	52 051	0.65
0.75 to < 2.50	101 134	339	148.39	101 083	1.35
2.50 to < 10.00	53 908	116	104.76	54 067	4.21
10.00 to < 100.00	24 196	5	84.30	24 201	27.83
100.00 (default)	13 417			13 417	100.00
Sub-total	319 798	40 171	47.47	339 308	7.2

[1] Average maturity years have not been provided since it has not been used in the RWA calculation.

Number of obligors	Average LGD %	Average maturity[1] Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
45 527	**12.10**		**370**	**3.19**	**2**	
54 665	**12.50**		**1 124**	**5.39**	**5**	
114 191	**11.95**		**4 239**	**8.13**	**24**	
88 487	**13.89**		**7 826**	**13.37**	**51**	
148 682	**16.07**		**28 115**	**25.07**	**237**	
83 605	**16.45**		**26 384**	**51.02**	**358**	
42 842	**16.33**		**22 125**	**91.00**	**1 157**	
24 041	**17.06**		**597**	**4.21**	**3 733**	
602 040	**14.85**		**90 780**	**26.28**	**5 567**	**5 289**
35 217	11.91		214	3.32	1	
66 039	12.20		1 181	4.97	6	
132 399	12.28		5 453	8.48	31	
79 635	13.97		7 219	13.87	47	
136 123	15.81		25 418	25.15	216	
88 433	16.10		26 898	49.75	366	
43 735	16.11		21 749	89.87	1 112	
23 318	16.92		403	3.00	3 422	
604 899	14.64		88 535	26.09	5 201	4 510

Qualifying revolving retail exposure (QRRE)

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**181**	**3 634**	**96.78**	**3 703**	**0.10**
0.15 to < 0.25	**363**	**1 988**	**88.06**	**2 112**	**0.19**
0.25 to < 0.50	**980**	**2 623**	**83.47**	**3 145**	**0.35**
0.50 to < 0.75	**1 607**	**6 591**	**35.25**	**3 819**	**0.66**
0.75 to < 2.50	**19 804**	**14 541**	**53.56**	**26 115**	**1.62**
2.50 to < 10.00	**27 793**	**4 993**	**87.77**	**30 680**	**4.56**
10.00 to < 100.00	**7 247**	**850**	**89.96**	**8 156**	**25.99**
100.00 (default)	**6 663**			**6 663**	**100**
Sub-total	**64 638**	**35 220**	**57.14**	**84 393**	**12.62**
FY16					
0.00 to < 0.15	249	4 122	98.63	4 317	0.10
0.15 to < 0.25	398	1 978	89.82	2 173	0.20
0.25 to < 0.50	948	2 493	81.83	2 964	0.35
0.50 to < 0.75	2 008	7 324	35.59	4 470	0.66
0.75 to < 2.50	18 863	13 564	57.32	24 921	1.58
2.50 to < 10.00	29 076	4 828	74.68	31 727	4.59
10.00 to < 100.00	6 102	821	89.04	6 693	26.95
100.00 (default)	6 490			6 490	100.00
Sub-total	64 134	35 130	64.34	83 755	12.17

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
126 070	**58.89**		**144**	**3.90**	**2**	
70 452	**58.79**		**136**	**6.42**	**2**	
188 587	**59.24**		**329**	**10.49**	**7**	
209 408	**63.79**		**720**	**18.84**	**16**	
918 802	**65.69**		**9 868**	**37.79**	**277**	
1 583 581	**64.63**		**23 320**	**76.01**	**894**	
567 230	**62.31**		**13 081**	**160.38**	**1 332**	
227 592	**64.09**		**1 107**	**16.61**	**4 299**	
3 891 722	**64.05**		**48 705**	**57.71**	**6 829**	**4 646**
143 012	59.18		165	3.82	3	
72 514	59.03		144	6.63	3	
211 038	59.62		316	10.66	6	
269 524	64.16		842	18.84	19	
951 445	65.51		9 254	37.13	259	
1 635 229	63.86		23 919	75.39	916	
454 687	65.15		11 354	169.64	1 179	
225 553	64.15		62	.96	4 205	
3 963 002	63.98		46 056	54.99	6 590	5 979

Retail – other

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**12**	**6**	**110.89**	**18**	**0.13**
0.15 to < 0.25	**115**	**6**	**115.27**	**121**	**0.19**
0.25 to < 0.50	**2 824**	**20**	**118.93**	**2 849**	**0.31**
0.50 to < 0.75	**635**	**19**	**111.36**	**656**	**0.64**
0.75 to < 2.50	**17 244**	**109**	**103.63**	**17 359**	**1.62**
2.50 to < 10.00	**13 057**	**30**	**122.15**	**13 095**	**4.79**
10.00 to < 100.00	**3 753**		**152.22**	**3 753**	**24.19**
100.00 (default)	**1 844**			**1 844**	**100.00**
Sub-total	**39 484**	**190**	**109.02**	**39 695**	**9.25**
FY16					
0.00 to < 0.15	10	2	119.62	13	0.14
0.15 to < 0.25	128	9	117.04	138	0.20
0.25 to < 0.50	2 409	32	112.85	2 446	0.34
0.50 to < 0.75	494	11	112.75	506	0.64
0.75 to < 2.50	17 652	79	100.98	17 733	1.61
2.50 to < 10.00	12 476	51	112.14	12 533	4.69
10.00 to < 100.00	3 726		118.90	3 726	24.39
100.00 (default)	1 782			1 782	100.00
Sub-total	38 677	184	107.82	38 877	9.20

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
175	**24.68**		**1**	**7.84**		
576	**8.94**		**5**	**3.72**		
1 543	**25.78**		**425**	**14.94**	**2**	
3 613	**30.56**		**173**	**26.32**	**1**	
96 963	**28.35**		**6 305**	**36.32**	**84**	
99 052	**35.67**		**7 290**	**55.67**	**233**	
91 110	**48.33**		**4 113**	**109.59**	**432**	
31 907	**40.37**		**166**	**9.00**	**847**	
324 939	**33.00**		**18 478**	**46.55**	**1 599**	**1 022**
161	25.35		1	8.40		
599	12.49		7	5.42		
1 397	26.13		390	15.94	2	
2 624	30.43		134	26.48	1	
99 242	28.96		6 571	37.06	87	
98 407	36.03		7 025	56.05	220	
92 136	48.46		4 106	110.20	440	
31 157	41.06		2	0.08	837	
325 723	33.44		18 236	46.91	1 587	1 395

SME retail

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15	**2 075**	**4 740**	**80.05**	**5 870**	**0.07**
0.15 to < 0.25	**1 910**	**1 717**	**75.35**	**3 196**	**0.20**
0.25 to < 0.50	**8 044**	**2 683**	**63.01**	**9 687**	**0.40**
0.50 to < 0.75	**2 342**	**1 281**	**61.02**	**3 102**	**0.59**
0.75 to < 2.50	**20 486**	**2 671**	**59.72**	**22 089**	**1.39**
2.50 to < 10.00	**7 584**	**2 906**	**35.30**	**8 677**	**4.89**
10.00 to < 100.00	**3 656**	**360**	**41.43**	**4 008**	**25.47**
100.00 (default)	**2 460**		**80.05**	**2 460**	**100.00**
Sub-total	**48 557**	**16 358**	**58.15**	**59 089**	**7.24**
FY16					
0.00 to < 0.15	2 097	5 189	82.53	6 385	0.07
0.15 to < 0.25	2 208	2 009	78.30	3 774	0.20
0.25 to < 0.50	7 822	3 173	63.89	9 796	0.40
0.50 to < 0.75	2 179	1 354	70.14	3 124	0.59
0.75 to < 2.50	20 648	2 650	63.51	22 323	1.37
2.50 to < 10.00	7 537	2 936	32.66	8 477	4.77
10.00 to < 100.00	3 510	313	36.76	3 612	25.03
100.00 (default)	2 447			2 447	100.00
Sub-total	48 448	17 624	65.76	59 938	6.89

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
19 786	**43.14**		**497**	**8.47**	**2**	
8 843	**42.31**		**580**	**18.15**	**3**	
136 349	**38.12**		**2 444**	**25.24**	**15**	
22 054	**41.55**		**1 073**	**34.59**	**8**	
120 903	**38.34**		**10 166**	**46.02**	**118**	
133 648	**43.32**		**5 839**	**67.29**	**181**	
61 415	**45.84**		**4 264**	**106.39**	**473**	
25 867	**43.84**		**27**	**1.10**	**1 288**	
528 865	**40.63**		**24 890**	**42.12**	**2 088**	**1 550**
75 932	43.87		552	8.65	2	
30 259	42.29		684	18.12	3	
66 413	38.78		2 511	25.63	15	
19 306	43.14		1 124	35.98	8	
129 231	39.05		10 424	46.70	120	
143 895	43.28		5 684	67.05	172	
54 831	43.93		3 670	101.61	401	
18 128	43.75		31	1.27	1 294	
537 995	41.02		24 680	41.18	2 015	1 830

Equity

PD scale	Original on-balance sheet gross exposures Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
1H17					
0.00 to < 0.15					
0.15 to < 0.25					
0.25 to < 0.50	**320**			**320**	**0.32**
0.50 to < 0.75	**330**			**330**	**.64**
0.75 to < 2.50	**495**			**425**	**1.30**
2.50 to < 10.00	**604**			**588**	**2.80**
10.00 to < 100.00					
100.00 (default)	**78**			**78**	**100.00**
Sub-total	**1 827**			**1 741**	**5.73**
FY16					
0.00 to < 0.15					
0.15 to < 0.25	91			91	0.16
0.25 to < 0.50	283			283	0.32
0.50 to < 0.75	253			253	0.64
0.75 to < 2.50	589			589	1.38
2.50 to < 10.00	607			607	2.62
10.00 to < 100.00					
100.00 (default)	78			78	100.00
Sub-total	1 901			1 901	5.51

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Provisions Rm
3	**90.00**		**1 017**	**323.83**		
2	**90.00**		**1 049**	**318.00**		
4	**90.00**		**1 522**	**321.14**	**5**	
4	**90.00**		**1 955**	**332.48**	**16**	
2	**90.00**		**976**			
15	**90.00**		**6 519**	**311.04**	**21**	**77**
1	90.00	5.0	289	318.00		
1	90.00	5.0	900	318.02		
3	90.00	5.0	753	297.63		
4	90.00	5.0	2 022	343.29	7	
5	90.00	5.0	1 996	328.83	15	
2	90.00	5.0			70	
16	90.00	5.0	5 960	313.52	92	76

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

Corporate

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15	**304**	**0.11**	**17**	**38.74**	**1.25**	**62**	**0.20**
0.15 to < 0.25	**2 206**	**0.20**	**48**	**35.68**	**2.26**	**922**	**0.42**
0.25 to < 0.50	**1 450**	**0.42**	**164**	**35.58**	**2.75**	**831**	**0.57**
0.50 to < 0.75	**697**	**0.64**	**99**	**33.29**	**3.09**	**454**	**0.65**
0.75 to < 2.50	**297**	**1.39**	**126**	**40.19**	**2.26**	**291**	**0.98**
2.50 to < 10.00	**102**	**3.69**	**43**	**48.95**	**1.74**	**151**	**1.48**
10.00 to < 100.00	**2**	**10.24**	**1**	**61.93**	**1.00**	**5**	**2.59**
100.00 (default)							
Sub-total	**5 058**	**0.46**	**498**	**36.05**	**2.44**	**2 716**	**0.54**
FY16							
0.00 to < 0.15	410	0.08	17	34.35	1.10	61	0.15
0.15 to < 0.25	2 428	0.20	47	34.24	1.90	733	0.30
0.25 to < 0.50	3 385	0.40	157	35.28	1.50	1 337	0.39
0.50 to < 0.75	705	0.64	83	36.38	2.70	465	0.66
0.75 to < 2.50	336	1.32	117	38.55	1.60	281	0.84
2.50 to < 10.00	390	3.42	51	38.48	1.20	424	1.09
10.00 to < 100.00							
100.00 (default)							
Sub-total	7 654	0.58	472	35.32	1.80	3 301	0.49

SME corporate

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15	**44**	**0.08**	**1**	**40.09**	**5.00**	**16**	**0.37**
0.15 to < 0.25	**281**	**0.16**	**3**	**40.32**	**1.24**	**77**	**0.27**
0.25 to < 0.50	**1**	**0.32**	**2**	**40.09**	**2.31**		**0.57**
0.50 to < 0.75	**51**	**0.64**	**4**	**40.09**	**2.61**	**34**	**0.66**
0.75 to < 2.50	**156**	**1.41**	**16**	**38.95**	**4.30**	**147**	**0.94**
2.50 to < 10.00	**13**	**2.73**	**7**	**40.10**	**1.00**	**10**	**0.78**
10.00 to < 100.00	**1**	**14.48**	**1**	**61.93**	**1.25**	**3**	**2.90**
100.00 (default)							
Sub-total	**547**	**0.64**	**34**	**39.92**	**2.50**	**287**	**0.53**
FY16							
0.00 to < 0.15	151	0.09	2	40.09	4.20	49	0.32
0.15 to < 0.25	258	0.16	3	40.27	1.20	70	0.27
0.25 to < 0.50	130	0.40	2	40.09	1.00	57	0.44
0.50 to < 0.75	56	0.64	7	34.73	3.60	37	0.66
0.75 to < 2.50	167	1.27	19	39.48	4.50	156	0.93
2.50 to < 10.00	43	3.62	9	39.49	1.00	39	0.91
10.00 to < 100.00							
100.00 (default)							
Sub-total	805	0.64	42	39.62	2.60	408	0.51

Securities firms

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15	**8 229**	**0.07**	**9**	**40.46**	**1.17**	**1 642**	**0.20**
0.15 to < 0.25	**605**	**0.16**	**8**	**42.82**	**1.03**	**215**	**0.36**
0.25 to < 0.50	**268**	**0.32**	**4**	**40.09**	**1.00**	**135**	**0.50**
0.50 to < 0.75							
0.75 to < 2.50	**1**	**1.81**	**3**	**40.09**	**1.00**	**1**	**0.87**
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Sub-total	**9 103**	**0.09**	**24**	**40.61**	**1.15**	**1 993**	**0.22**
FY16							
0.00 to < 0.15	8 011	0.07	10	40.42	1.60	1 891	0.24
0.15 to < 0.25	478	0.16	8	42.80	1.20	178	0.70
0.25 to < 0.50	285	0.32	4	40.09	1.00	143	0.50
0.50 to < 0.75		0.64	1	40.09	1.00		
0.75 to < 2.50	1	1.81	4	40.09	1.00	1	1.00
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Sub-total	8 775	0.09	27	40.55	1.50	2 213	0.25

Sovereign

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15	**1 774**	**0.01**	**3**	**28.28**	**1.02**	**39**	**0.02**
0.15 to < 0.25	**648**	**0.23**	**1**	**32.77**	**4.78**	**344**	**0.53**
0.25 to < 0.50							
0.50 to < 0.75	**1**	**0.64**	**1**	**45.00**	**1.38**		**0.68**
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Sub-total	**2 423**	**0.07**	**5**	**29.48**	**2.03**	**383**	**0.16**
FY16							
0.00 to < 0.15	1 471	0.01	2	27.78	1.10	35	0.02
0.15 to < 0.25	517	0.23	1	32.77	4.90	281	0.54
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Sub-total	1 988	0.07	3	29.07	2.10	316	0.16

Public sector entities

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15							
0.15 to < 0.25	**18**	**0.23**	**3**	**26.29**	**4.98**	**8**	**0.44**
0.25 to < 0.50	**615**	**0.43**	**6**	**35.13**	**3.56**	**398**	**0.65**
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00	**5**	**5.12**	**2**	**26.29**	**1.00**	**4**	**0.82**
10.00 to < 100.00							
100.00 (default)							
Sub-total	**638**	**0.46**	**11**	**34.82**	**3.58**	**410**	**0.64**
FY16							
0.00 to < 0.15							
0.15 to < 0.25	33	0.23	4	26.29	3.70	12	0.36
0.25 to < 0.50	408	0.24	3	28.61	3.30	202	0.50
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00	6	3.62	1	26.29	1.00	5	0.83
10.00 to < 100.00							
100.00 (default)							
Sub-total	447	0.45	8	28.41	3.30	219	0.49

Banks

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Year	RWA Rm	RWA density %
1H17							
0.00 to < 0.15	**16 060**	**0.06**	**46**	**39.76**	**1.60**	**3 110**	**0.19**
0.15 to < 0.25	**2 601**	**0.16**	**3**	**43.89**	**1.49**	**1 091**	**0.42**
0.25 to < 0.50	**92**	**0.32**	**5**	**44.94**	**1.27**	**42**	**0.46**
0.50 to < 0.75	**1**	**0.64**	**5**	**47.04**	**1.00**	**1**	**0.67**
0.75 to < 2.50	**75**	**1.35**	**19**	**49.25**	**1.00**	**72**	**0.96**
2.50 to < 10.00	**2**	**2.61**	**6**	**51.28**	**1.06**	**2**	**1.28**
10.00 to < 100.00							
100.00 (default)							
Sub-total	**18 831**	**0.08**	**84**	**40.39**	**1.58**	**4 318**	**0.23**
FY16							
0.00 to < 0.15	17 932	0.06	43	39.81	1.60	3 783	0.21
0.15 to < 0.25	2 342	0.16	3	43.89	1.50	989	0.42
0.25 to < 0.50	174	0.37	5	45.35	2.60	131	0.75
0.50 to < 0.75	13	0.64	4	47.04	1.00	9	0.69
0.75 to < 2.50	675	1.27	16	49.11	1.00	637	0.94
2.50 to < 10.00		3.31	4	51.85	1.00		1.38
10.00 to < 100.00							
100.00 (default)							
Sub-total	21 136	0.11	75	40.61	1.60	5 549	0.26

Annexure B
Composition of capital[1, 2] – SBG

	1H17 Basel III Rm	FY16 Basel III Rm	Reference
CET I capital	**115 139**	114 401	
Instruments and reserves			
CET I capital before regulatory adjustments	**143 749**	142 589	
Directly issued qualifying common share capital plus related stock surplus	**17 918**	17 960	(c)
Retained earnings	**128 089**	124 446	(d)
Accumulated other comprehensive income (and other reserves)	**(2 258)**	183	(d)
Directly issued capital subject to phase out from CET I (only applicable to non-joint stock companies)			
Public sector capital injections grandfathered until 1 January 2018			
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET I)	**4 821**	4 488	(f)
Regulatory adjustments			
Less: total regulatory adjustments to CET I	**(33 431)**	(32 676)	
Prudential valuation adjustments	**(53)**	(40)	
Goodwill (net of related tax liability)	**(1 999)**	2 239	(b)
Other intangibles other than mortgage servicing rights (net of related tax liability)	**(19 030)**	(19 289)	(b)
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	**(202)**	(67)	(a)
Cash flow hedge reserve	**73**	78	
Shortfall of provisions to expected losses	**(1 969)**	(2 118)	
Securitisation gain on sale			
Gains and losses due to changes in own credit risk on fair valued liabilities	**(12)**	(38)	
Defined benefit pension fund net assets	**(312)**	(461)	
Investments in own shares (if not already netted of paid-in capital on reported balance sheet)	**(62)**	(70)	
Reciprocal cross-holdings in common equity			
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	**(9 865)**	(8 432)	
Mortgage servicing rights (amount above 10% threshold)			
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
Amount exceeding the 15% threshold, relating to:			
Significant investments in the common stock of financials			
Mortgage servicing rights			
Deferred tax assets arising from temporary differences			
National-specific regulatory adjustments			
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment			
Regulatory adjustments applied to CET I due to insufficient additional tier I and tier II to cover deductions			

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 1H17 and FY16.
2 Excluding unappropriated profits.

	1H17 Basel III Rm	FY16 Basel III Rm	Reference
Additional tier I capital	**4 945**	3 619	
Instruments			
Additional tier I capital before regulatory adjustments	**4 945**	3 619	
Directly issued qualifying additional tier I instruments plus related stock surplus, classified as:	**4 945**	3 297	(e)
Equity under applicable accounting standards	**4 945**	3 297	(e)
Liabilities under applicable accounting standards			
Directly issued capital instruments subject to phase out from additional tier I	**5 495**	5 495	(e)
Additional tier I instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third parties (amount allowed in group additional tier I), including:	**450**	322	
Instruments issued by subsidiaries subject to phase out			
Regulatory adjustments			
Total regulatory adjustments to additional tier I capital			
Investments in own additional tier I instruments			
Reciprocal cross-holdings in additional tier I instruments			
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
National-specific regulatory adjustments:			
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment			
Regulatory adjustments applied to additional tier I due to insufficient additional tier I due to insufficient tier II to cover deductions			
Tier I capital	**120 084**	118 020	

	1H17 Basel III Rm	FY16 Basel III Rm	Reference
Capital and provisions			
Tier II capital before regulatory adjustments	**18 024**	20 130	
Directly issued qualifying tier II instruments plus related stock surplus			
Directly issued capital instruments subject to phase out from tier II			
Tier II instruments (and CET I and AT1 instruments not included in common share capital and AT1 instruments) issued by subsidiaries and held by third parties (amount allowed in group tier II), including:	**15 686**	17 773	
Instruments issued by subsidiaries subject to phase out	**11 280**	12 610	(g)
Provisions	**2 338**	2 357	
Regulatory adjustments			
Total regulatory adjustments to tier II capital			
Investments in own tier II instruments			
Reciprocal cross-holdings in tier II instruments			
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
National-specific regulatory adjustments			
Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment			
Tier II capital	**18 024**	20 130	
Total capital	**138 108**	138 150	
Total RWA	**911 520**	883 179	
RWA in respect of amounts subject to pre-Basel III treatment			
Capital ratios and buffers			
CET I (as a percentage of RWA)	**12.6**	13.0	
Tier I (as a percentage of RWA)	**13.2**	13.4	
Total capital (as a percentage of RWA)	**15.2**	15.6	
Institution-specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus CCyB requirements plus G-SIBs buffer requirement, expressed as a percentage of RWA)	**7.3**	6.9	
Capital conservation buffer requirement	**1.3**	0.6	
Bank-specific countercyclical buffer requirement	**0.0**	0.0	
G-SIBs buffer requirement			
CET I available to meet buffers (as a percentage of RWA)	**5.4**	6.1	

		1H17 Basel III Rm	FY16 Basel III Rm
National minima (if different from Basel III)			
National CET I minimum ratio (if different from Basel III minimum)			
– excluding individual capital requirement (ICR) and D-SIB	%	**7.3**	6.9
National tier I minimum ratio (if different from Basel III minimum)			
– excluding ICR and D-SIB	%	**8.5**	8.1
National total capital minimum ratio (if different from Basel III minimum)			
– excluding ICR and D-SIB	%	**10.8**	10.4
Amounts below the threshold for deductions (before risk weighting)			
Non-significant investments in the capital of other financials		**321**	235
Significant investments in the common stock of financials		**12 500**	12 283
Mortgage servicing rights (net of related tax liability)			
Deferred tax assets arising from temporary differences (net of related tax liability)		**3 539**	3 257
Applicable caps on the inclusion of provisions in tier II			
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)		**2 338**	2 357
Cap on inclusion of provisions in tier II under standardised approach		**2 872**	2 922
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
Cap for inclusion of provisions in tier II under IRB approach		**2 311**	2 298
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
Current cap on CET I instruments subject to phase-out arrangements			
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)			
Current cap on additional tier I instruments subject to phase-out arrangements			
Amount excluded from additional tier I due to cap (excess over cap after redemptions and maturities)			
Current cap on tier II instruments subject to phase-out arrangements			
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)			

Composition of capital[1, 2] – SBSA

	1H17 Basel III Rm	FY16 Basel III Rm
CET I capital	**71 179**	68 097
Instruments and reserves		
CET I capital before regulatory adjustments	**89 690**	87 516
Directly issued qualifying common share capital plus related stock surplus	**43 698**	41 198
Retained earnings	**45 204**	45 371
Accumulated other comprehensive income (and other reserves)	**788**	947
Directly issued capital subject to phase out from CET I (only applicable to non-joint stock companies)		
Public sector capital injections grandfathered until 1 January 2018		
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET I)		
Regulatory adjustments		
Less: total regulatory adjustments to CET I	**(18 511)**	(19 419)
Prudential valuation adjustments	**(53)**	(40)
Goodwill (net of related tax liability)	**(42)**	(42)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(16 108)**	(16 634)
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	**(14)**	(20)
Cash flow hedge reserve	**7**	(58)
Shortfall of provisions to expected losses	**(1 977)**	(2 126)
Securitisation gain on sale		
Gains and losses due to changes in own credit risk on fair valued liabilities	**(12)**	(38)
Defined benefit pension fund net assets	**(312)**	(461)
Investments in own shares (if not already netted of paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
Mortgage-servicing rights (amount above 10% threshold)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
Amount exceeding the 15% threshold, relating to:		
Significant investments in the common stock of financials		
Mortgage-servicing rights		
Deferred tax assets arising from temporary differences		
National-specific regulatory adjustments		
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment		
Regulatory adjustments applied to CET I due to insufficient additional tier I and tier II to cover deductions		

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 1H17 and FY16.
2 Excluding unappropriated profits.

	1H17 Basel III Rm	FY16 Basel III Rm
AT1 capital	**1 744**	
Instruments		
AT1 capital before regulatory adjustments	**1 744**	
Directly issued qualifying additional tier I instruments plus related stock surplus, classified as:	**1 744**	
Equity under applicable accounting standards	**1 744**	
Liabilities under applicable accounting standards		
Directly issued capital instruments subject to phase out from additional tier I		
AT1 instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third parties (amount allowed in group AT1), including:		
Instruments issued by subsidiaries subject to phase out		
Regulatory adjustments		
Total regulatory adjustments to additional tier I capital		
Investments in own additional tier I instruments		
Reciprocal cross-holdings in additional tier I instruments		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
National-specific regulatory adjustments:		
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment		
Regulatory adjustments applied to additional tier I due to insufficient additional tier I due to insufficient tier II to cover deductions		
Tier I capital	**72 923**	76 867
Capital and provisions		
Tier II capital before regulatory adjustments	**18 626**	20 394
Directly issued qualifying tier II instruments plus related stock surplus	**18 355**	20 080
Directly issued capital instruments subject to phase out from tier II	**10 775**	12 930
Tier II instruments (and CET I and AT1 instruments not included in common share capital and AT1 instruments) issued by subsidiaries and held by third parties (amount allowed in group tier II), including:		
Instruments issued by subsidiaries subject to phase out		
Provisions	**271**	314

		1H17 Basel III Rm	FY16 Basel III Rm
Regulatory adjustments			
Total regulatory adjustments to tier II capital		**(2 810)**	(2 901)
Investments in own tier II instruments			
Reciprocal cross-holdings in tier II instruments			
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		**(2 810)**	(2 901)
National-specific regulatory adjustments			
Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment			
Total capital		**88 739**	85 590
Total RWA		**576 416**	560 735
RWA in respect of amounts subject to pre-Basel III treatment			
Capital ratios and buffers			
CET I (as a percentage of RWA)	%	**12.3**	12.1
Tier I (as a percentage of RWA)	%	**12.7**	12.1
Total capital (as a percentage of RWA)		**15.4**	15.3
Institution-specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of RWA)	%	**7.3**	6.9
Capital conservation buffer requirement	%	**1.3**	0.6
Bank-specific CCyB requirement	%	**0.0**	0.0
G-SIB buffer requirement	%		
CET I available to meet buffers (as a percentage of RWA)	%	**5.1**	5.3

		1H17 Basel III Rm	FY16 Basel III Rm
National minima (if different from Basel III)			
National CET I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	%	**7.3**	6.9
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	%	**8.5**	8.1
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	%	**10.8**	10.4
Amounts below the threshold for deductions (before risk weighting)			
Non-significant investments in the capital of other financials		**295**	214
Significant investments in the common stock of financials		**519**	490
Mortgage-servicing rights (net of related tax liability)			
Deferred tax assets arising from temporary differences (net of related tax liability)		**2 932**	1 435
Applicable caps on the inclusion of provisions in tier II			
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)		**271**	314
Cap on inclusion of provisions in tier II under standardised approach		**271**	314
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
Cap for inclusion of provisions in tier II under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
Current cap on CET I instruments subject to phase-out arrangements			
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)			
Current cap on additional tier I instruments subject to phase-out arrangements			
Amount excluded from additional tier I due to cap (excess over cap after redemptions and maturities)			
Current cap on tier II instruments subject to phase-out arrangements			
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)			

Annexure C
Main features disclosure template

	Ordinary share capital (including share premium)	Subordinated bond – SBK9	Subordinated bond – SBK14	Subordinated bond – SBK16
Issuer	SBSA	SBSA	SBSA	SBSA
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)		ZAG000029687	ZAG000091018	ZAG000093741
Governing law(s) of the instrument	SA	SA	SA	SA
Regulatory treatment				
Transitional Basel III rules	CET I	Tier II	Tier II	Tier II
Post-transitional Basel III rules	CET I	Tier II	Tier II	Tier II
Eligible at solo/group/group & solo	Solo	Group & solo	Group & solo	Group & solo
Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium	Subordinated debt	Subordinated debt	Subordinated debt
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	ZAR43 698	ZAR750	ZAR890	ZAR1 000
Par value of instrument	ZAR1	ZAR1 500	ZAR1 780	ZAR2 000
Accounting classification	Equity attributable to ordinary shareholders	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance	Ongoing	2006/04/10	2011/01/12	2012/03/15
Perpetual or dated	Perpetual	Dated	Dated	Dated
Original maturity date	N/A	2023/04/10	2022/12/01	2023/03/15
Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	N/A	2018/04/10 ZAR1 500	2017/12/01 ZAR1 780	2018/03/15 ZAR2 000
Subsequent call dates, if applicable	N/A	2018/04/10 or any subsequent interest payment date	2017/12/01 or any subsequent interest payment date	2018/03/15 or any subsequent interest payment date
Coupons/dividends				
Fixed or floating dividend/coupon	N/A	Fixed	Fixed	Floating
Coupon rate and any related index	N/A	8.40% semi-annual	9.66% semi-annual	JIBAR + 2.10
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Full discretionary	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	Yes	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	N/A	N/A	N/A	N/A
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most subordinated	Senior unsecured	Senior unsecured	Senior unsecured
Non-compliant transitioned features	No	Yes	Yes	Yes
If yes, specify non-compliant features	N/A	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(D) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(H)(ii)

Subordinated bond – SBK17	Subordinated bond – SBK18	Subordinated bond – SBK19	Subordinated bond – SBK20	Subordinated bond – SBK21
SBSA	SBSA	SBSA	SBSA	SBSA
ZAG000097619	ZAG000100827	ZAG000100835	ZAG00121781	ZAG000123258
SA	SA	SA	SA	SA
Tier II	Tier II	Tier II	N/A	N/A
Tier II	Tier II	Tier II	Tier II	Tier II
Group & solo	Group & solo	Group & solo	Group & solo	Group & solo
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
ZAR1 000	ZAR1750	ZAR250	ZAR2 250	ZAR750
ZAR2 000	ZAR3 500	ZAR500	ZAR2 250	ZAR750
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
2012/07/30	2012/10/24	2012/10/24	2014/12/02	2015/01/28
Dated	Dated	Dated	Dated	Dated
2024/07/30	2025/10/24	2024/10/24	2024/12/02	2025/01/28
Yes	Yes	Yes	Yes	Yes
2019/07/30 ZAR2 000	2020/10/24 ZAR3 500	2019/10/24 ZAR500	2019/12/02 ZAR2 250	2020/01/28 ZAR750
2019/07/30 or any subsequent interest payment date	2020/10/24 or any subsequent interest payment date	2019/10/24 or any subsequent interest payment date	2019/12/02 or any interest payment date thereafter	2020/01/28 or any interest payment date thereafter
Floating	Floating	Floating	Floating	Floating
JIBAR + 2.20	JIBAR + 2.35	JIBAR + 2.20	JIBAR + 3.50	JIBAR + 330
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	Yes	Yes
N/A	N/A	N/A	Point of non-viability	Point of non-viability
N/A	N/A	N/A	Regulatory discretion	Regulatory discretion
N/A	N/A	N/A	Permanent	Permanent
N/A	N/A	N/A	N/A	N/A
Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Yes	Yes	Yes	No	No
Regulation 38(14)(a)(i) Regulation 38(14)(a)(iv)(H)(ii)	Regulation 38(14)(a)(i) Regulation 38(14)(a)(iv)(H)(ii)	Regulation 38(14)(a)(i) Regulation 38(14)(a)(iv)(H)(ii)	N/A	N/A

	Subordinated bond – SBK22	Subordinated bond – SBK23	Subordinated bond – SBK24	Subordinated bond – SBK25
Issuer	SBSA	SBSA	SBSA	SBSA
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000126442	ZAG000126434	ZAG000130584	ZAG000135781
Governing law(s) of the instrument	SA	SA	SA	SA
Regulatory treatment Transitional Basel III rules	N/A	N/A	N/A	N/A
Post-transitional Basel III rules	Tier II	Tier II	Tier II	Tier II
Eligible at solo/group/group & solo	Group & solo	Group & solo	Group & solo	Group & solo
Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	ZAR1 000	ZAR1 000	ZAR880	ZAR1 200
Par value of instrument	ZAR1 000	ZAR1 000	ZAR880	ZAR1 200
Accounting classification	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance	2015/05/28	2015/05/28	2015/10/19	2016/04/25
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	2025/05/28	2027/05/28	2025/10/19	2026/04/25
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	2020/05/28 ZAR1 000	2022/05/28 ZAR1 000	2020/10/19 ZAR880	2021/04/25 ZAR1 200
Subsequent call dates, if applicable	2020/05/28 or any interest payment date thereafter	2022/05/28 or any interest payment date thereafter	2020/10/19 or any interest payment date thereafter	2021/04/25 or any interest payment date thereafter
Coupons/dividends Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating
Coupon rate and any related index	JIBAR + 350	11.56% semi-annual	JIBAR + 350	JIBAR + 400
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
If write-down, write-down trigger(s)	Point of non-viability	Point of non-viability	Point of non-viability	Point of non-viability
If write-down, full or partial	Regulatory discretion	Regulatory discretion	Regulatory discretion	Regulatory discretion
If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Non-compliant transitioned features	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Subordinated bond – SBK26	Ordinary share capital (including share premium)	Cumulative preference share capital	Non-cumulative Preference Share Capital	Subordinated bond – SBT101
SBSA	SBG	SBG	SBG	SBG
ZAG000135799	SBK ZAE000109815	SBKP ZAE000038881	SBPP ZAE000056339	ZAG000143017
SA	SA	SA	SA	SA
N/A	CET I	Tier II	Additional tier I	N/A
Tier II	CET I	Tier II	Additional tier I	Additional tier I
Group & solo	Group	Group	Group	Group
Subordinated debt	Ordinary share capital and premium	Preference share capital and share premium	Preference share capital and share premium	Subordinated debt
ZAR500	ZAR17 918	ZAR4	ZAR2 748	ZAR1 744
ZAR500	10c	ZAR1	1c	ZAR1 744
Subordinated debt	Equity attributable to ordinary shareholders	Preference share capital and share premium	Preference share capital and share premium	Equity
2016/04/25	Ongoing	1969/11/25	2004/07/07, 2006/05/23, 2006/08/12	2017/03/30
Dated	Perpetual	Perpetual	Perpetual	Perpetual
2026/04/25	N/A	N/A	N/A	N/A
Yes	No	No	No	Yes
2021/04/25 ZAR500	N/A	N/A	N/A	2022/03/31 ZAR1 744
2021/04/25 or any interest payment date thereafter	N/A	N/A	N/A	2022/03/31 or any interest payment date thereafter
Fixed	N/A	Fixed	Floating	Floating
12.25% semi annual	N/A	6.50%	77% of prime interest rate	JIBAR + 565
No	No	No	No	Yes
Mandatory	Full discretionary	Full discretionary	Full discretionary	Full discretionary
No	No	No	No	No
Non-cumulative	Non-cumulative	Cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Yes	N/A	N/A	N/A	Yes
Point of non-viability	N/A	N/A	N/A	Point of non-viability
Regulatory discretion	N/A	N/A	N/A	Regulatory discretion
Permanent	N/A	N/A	N/A	Permanent
N/A	N/A	N/A	N/A	N/A
Senior unsecured	Non-cumulative preference shares	Subordinated debt	Cumulative preference shares	Tier 2/subject to regulatory clarification of the position of Basel II compliant tier 1 instruments
No	No	Yes	Yes	No
N/A	N/A	Regulation 38(13)(b)(i)	Regulation 38(13)(b)(i)	

	Subordinated bond – Standard Bank Swaziland 1	Subordinated bond – Standard Bank Mozambique	Subordinated bond – Standard Bank Mozambique	Subordinated bond – Standard Bank Mozambique
Issuer	Standard Bank Swaziland Limited	Standard Bank Mozambique	Standard Bank Mozambique	Standard Bank Mozambique
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SZD000551465	MZSTB0OC1516	MZSTB0OC1524	MZSTBOC1532
Governing law(s) of the instrument	Swaziland	Mozambique	Mozambique	Mozambique
Regulatory treatment				
Transitional Basel III rules	N/A	N/A	N/A	N/A
Post-transitional Basel III rules	N/A	N/A	N/A	N/A
Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated bond	Subordinated bond	Subordinated bond
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	E50	MT300	MT381	MT320
Par value of instrument	E50	MT300	MT381	MT320
Accounting classification	Subordinated debt	Subordinated bond	Subordinated bond	Subordinated bond
Original date of issuance	2014/12/14	2015/08/07	2015/09/04	2015/10/29
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	2024/12/14	2025/09/04	2025/09/04	2025/10/29
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	2019/12/14 E50	2020/09/04 MT300	2020/09/04 MT381	2020/10/29 MT320
Subsequent call dates, if applicable	15 December 2019 or any interest payment date thereafter	4 September 2020 or any interest payment date thereafter	4 September 2020 or any interest payment date thereafter	29 October 2020 or any interest payment date thereafter
Coupons/dividends				
Fixed or floating dividend/coupon	Fixed	First coupon fixed rate, therafter fixed margin linked to a floating base rate	First coupon fixed rate, therafter fixed margin linked to a floating base rate	First coupon fixed rate, therafter fixed margin linked to a floating base rate
Coupon rate and any related index	8.75%	12% SLF + 450bps	12% SLF + 450bps	12% SLF + 450bps
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Yes	Yes	Yes	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	N/A	N/A	N/A	N/A
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior/unsecured	Senior debt	Senior debt	Senior debt
Non-compliant transitioned features	N/A	N/A	N/A	N/A
If yes, specify non-compliant features				

Subordinated bond – CfC Stanbic Bank Kenya	Subordinated loan – Standard Bank Mauritius	Subordinated loan – Standard Bank Angola	Subordinated loan – Stanbic Bank IBTC	Subordinated loan – Standard Bank Zambia
CFC Stanbic Bank Limited	Standard Bank Mauritius	Standard Bank Angola	Stanbic Bank IBTC	Standard Bank Zambia
KE4000002438	Standard Bank South Africa	Standard Bank South Africa	Standard Bank South Africa	Standard Bank South Africa
Kenya	Mauritius	Angola	Nigeria	Zambia
N/A	Tier II	N/A	N/A	Tier II
N/A	Tier II	N/A	N/A	Tier II
Solo	Solo	Solo	Solo	Solo
Subordinated debt	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
KES4 000	USD25	AOA4 974	NGN14 695	ZMK137
KES4 000	USD25	AOA4 974	NGN14 695	ZMK137
Subordinated debt	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
2014/12/15	2012/12/03	2013/05/23	2013/04/30	2016/12/13
Dated	Dated	Dated	Dated	Dated
2021/12/08	2022/12/04	2023/05/23	2025/05/31	2026/12/13
Yes	Yes	Yes	Yes	Yes
June 2020 KES4 000	2017/12/04 USD25	2018/05/23 AOA 4 974	2020/05/31 NGN14 695	2021/12/13 ZMK 137
June 2020 or any interest payment date thereafter	5 December 2017 or any interest payment date thereafter	23 May 2018 or any interest payment date thereafter	31 May 2020 or any interest payment date thereafter	13 December 2021 or any interest payment date thereafter
.				
Fixed	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate
12.95%	LIBOR + 300bps	LIBOR + 360bps	LIBOR + 360bps	LIBOR + 532bps
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	Yes	Yes	Yes	Yes
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Senior/unsecured	Senior debt	Senior debt	Senior debt	Senior debt
N/A	Yes	N/A	N/A	N/A
	Regulation 38(14) (a)(i) Regulation 38(14) (a)(iv)(D) Regulation 38(14) (a)(iv)(H)(ii)			

	Subordinated loan – Stanbic Bank DRC	Subordinated bond – Stanbic Bank IBTC	Subordinated bond – Standard Bank Namibia	Subordinated loan – Stanbic Bank Botswana
Issuer	Stanbic Bank DRC	Stanbic Bank IBTC	Standard Bank Namibia	Stanbic Bank Botswana
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Standard Bank South Africa	NGSB20245181	NA000A1ZRK11	Standard Bank South Africa
Governing law(s) of the instrument	DRC Congo	Nigeria	Namibia	Botswana
Regulatory treatment				
Transitional Basel III rules	N/A	N/A	N/A	N/A
Post-transitional Basel III rules	N/A	N/A	N/A	N/A
Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated debt	Subordinated debt	Subordinated loan
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	CDF4 453	NGN15 440	NAD100	BWP300
Par value of instrument	CDF4 453	NGN15 440	NAD100	BWP300
Accounting classification	Subordinated loan	Subordinated debt	Subordinated debt	Subordinated loan
Original date of issuance	2014/05/20	2014/09/30	2014/10/23	2014/11/28
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	2024/05/20	2024/09/30	2024/10/23	2024/11/28
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	2019/05/20 CDF4 453	2019/10/01 NGN15 440	2019/10/24 NAD100	2019/11/28 BWP300
Subsequent call dates, if applicable	20 May 2019 or any interest payment date thereafter	1 October 2019 or any interest payment date thereafter	24 October 2019 or any interest payment date thereafter	29 November or any interest payment date thereafter
Coupons/dividends				
Fixed or floating dividend/coupon	Fixed margin linked to a floating base rate	Fixed	Fixed	Fixed
Coupon rate and any related index	LIBOR + 975bps	13.25%	9.00%	10.25%
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Yes	No	Yes	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	N/A	N/A	N/A	N/A
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior unsecured	Senior unsecured	Senior debt
Non-compliant transitioned features	N/A	N/A	N/A	N/A
If yes, specify non-compliant features				

Subordinated bond – Stanbic Bank Zambia	Subordinated loan – Standard Bank Namibia	Subordinated loan – Standard Bank Lesotho	Subordinated loan – Stanbic Bank Ghana	Subordinated loan – Stanbic Bank Uganda
Stanbic Bank Zambia	Standard Bank Namibia	Standard Bank Lesotho	Stanbic Bank Ghana	Stanbic Bank Uganda
ZM2000000272	Standard Bank South Africa	Standard Bank South Africa	Standard Bank South Africa	Standard Bank South Africa
Zambia	Namibia	Lesotho	Ghana	Uganda
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Solo	Solo	Solo	Solo	Solo
Subordinated debt	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
ZMK36.7	NAD100	LES50	GHS 55	UGX71 730
ZMK36.7	NAD100	LES50	GHS 55	UGX71 730
Subordinated debt	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
2014/10/31	2015/04/30	2015/08/03	2015/11/17	2016/03/31
Dated	Dated	Dated	Dated	Dated
2024/10/31	2025/04/30	2025/08/03	2025/11/17	2026/03/31
Yes	Yes	Yes	Yes	Yes
2019/11/01 ZMK 36.7	2020/04/30 NAD100	2020/08/03 LES50	2020/11/18 GHS55	2021/04/01 UGX71 730
1 November 2019 or any interest payment date thereafter	1 May 2020 or any interest payment date thereafter	4 August 2020 or any interest payment date thereafter	18 November 2020 or any interest payment date thereafter	1 April 2021 or any interest payment date thereafter
Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate
182-day T-bill + 275 bps	JIBAR + 350bps	11.89%	LIBOR + 430bps	LIBOR + 590bps
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	Yes	Yes	Yes	Yes
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Senior/unsecured	Senior debt	Senior debt	Senior debt	Senior debt
N/A	N/A	N/A	N/A	N/A

	Subordinated loan – Stanbic Bank Ghana	Subordinated bond – Stanbic Bank Botswana	Subordinated bond – Stanbic Bank Botswana	Subordinated loan – Standard Bank Offshore Group
Issuer	Stanbic Bank Ghana	Stanbic Bank Botswana	Stanbic Bank Botswana	Standard Bank Isle of Man Limited
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Standard Bank South Africa	BW000 000 1791	BW000 000 1783	Standard Bank Isle of Man
Governing law(s) of the instrument	Ghana	Botswana	Botswana	Isle of Man
Regulatory treatment Transitional Basel III rules	N/A	N/A	N/A	Tier II
Post-transitional Basel III rules	N/A	N/A	N/A	Tier II
Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated debt	Subordinated debt	Subordinated debt
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	GHS66	BWP60	BWP140	GBP8
Par value of instrument	GHS66	BWP60	BWP140	GBP8
Accounting classification	Subordinated loan			Subordinated debt
Original date of issuance	28/11/2016	15/06/2017	15/06/2017	09/06/2011
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	28/11/2026	15/06/2027	15/06/2027	30/06/2021
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	N/A
Optional call date, contingent call dates and redemption amount (currency in Rm)	2021/11/28 GHS66	2022/06/16 BWP60	2022/06/16 BWP140	N/A
Subsequent call dates, if applicable	29 November 2021 or any interest payment date thereafter	N/A	N/A	N/A
Coupons/dividends Fixed or floating dividend/coupon	Fixed margin linked to a floating base rate	Fixed	Fixed margin linked to a floating base rate	Floating
Coupon rate and any related index	LIBOR + 532bps	7.80%	BoBC + 225bps	25bps over LIBOR, payable 6 monthly
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Yes	Yes	Yes	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	N/A	N/A	N/A	N/A
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior unsecured	Senior unsecured	Senior unsecured
Non-compliant transitioned features	N/A	N/A	N/A	Yes
If yes, specify non-compliant features				Regulation 38(14)(a)(i)

Subordinated loan – Standard Bank Offshore Group	Subordinated loan – Standard Bank Offshore Group	Subordinated loan – Standard Bank Offshore Group	Subordinated loan – Standard Bank Offshore Group	Subordinated loan – Standard Bank Offshore Group
Standard Bank Isle of Man Limited	Standard Bank Offshore Group Limited	Standard Bank Offshore Group Limited	Standard Bank Jersey Limited	Standard Bank Jersey Limited
Standard Bank Isle of Man	Standard Bank South Africa	Standard Bank Group International Ltd	Standard Bank Offshore Group	Standard Bank Offshore Group
Isle of Man	Jersey	Jersey	Jersey	Jersey
Tier II	Tier II	Tier II	Tier II	Tier II
Tier II	Tier II	Tier II	Tier II	Tier II
Solo	Solo	Solo	Solo	Solo
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
GBP3	GBP10	GBP6	GBP10	GBP11
GBP3	GBP10	GBP6	GBP10	GBP11
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
2011/06/09	2010/06/10	2011/06/15	2011/06/15	2011/06/29
Dated	Dated	Dated	Dated	Dated
2025/06/30	2025/06/30	2026/06/30	2025/06/30	2026/06/30
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Floating	Floating	Floating	Floating	Floating
25bps over LIBOR, payable 3 monthly	390bps over LIBOR, payable 3 monthly	25bps over LIBOR, payable 3 monthly	LIBOR+390bps, payable 3 monthly	25bps over LIBOR, payable 3 monthly
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No
Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Yes	Yes	Yes	Yes	Yes
Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)

Annexure D

Pillar 3 disclosure reference guide

	Table description	Row/column description
CR5	Standardised approach – exposures by asset classes and risk weights	Total credit exposures amount – post-CCF and post CRM
CR6	IRB – credit risk exposures by portfolio and PD range	RWA
CR1	Credit quality of assets	Defaulted exposure Total exposure
CR2	Changes in stock of defaulted loans and debt securities	Defaulted loans and debt securities
CR3	CRM techniques – overview	Loans Debt securities
CR7	IRB – Effect on RWA of credit derivatives used as CRM techniques	Actual RWA
CR4	Standardised approach – credit risk exposure and CRM effects	RWA RWA on- and-off balance sheet post-CCF and CRM
CR8	RWA flow statements of credit risk exposures under IRB	RWA
CCR1	Analysis of CCR exposure by approach	PFE Replacement cost RWA
CCR2	CVA capital charge	RWA
CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk weights	Total credit exposures
CCR4	IRB – CCR exposures by portfolio and PD scale	EAD post-CRM
SEC1	Securitisation exposures in the banking book	
SEC3	Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	IRB RBA RWA IRB SFA RWA
MR1	Market risk under the standardised approach	
MR2	RWA flow statements of market risk exposures under internal model-based approach	Total RWA
CR10	IRB (equities under the simple risk-weight method)	RWA

OV1		General		AFS	
Overview of RWA		Other tables that cross link		Link to SOFP	
		CR4	RWA on- and-off balance sheet post-CCF		
OV1	Credit risk of which IRB	CR8 CR7	RWA Actual RWA		
		CR2	Defaulted loans and debt securities		
		CR3	Total loans and debt securities		
		CR1	Defaulted exposures		
		CR1	Net value (on/Bs)		
OV1	Credit risk of which IRB	CR8 CR6	RWA RWA		
OV1	Credit risk of which standardised approach	CR5	Total credit exposures amount		
OV1	Credit risk of which IRB	CR7 CR6	Actual RWA RWA		
OV1	RWA CCR	CCR3 CCR2	Total credit exposure RWA		
OV1	RWA CCR	CCR1	RWA		
		CCR1 CCR4	EAD post-CRM EAD post-CRM		
		CCR1	Total credit exposure		
				SOFP	Securitisation exposure
OV1	Securitisation of which IRB approach				
OV1	Securitisation of which SFA				
OV1	Market risk of which standardised approach				
OV1	Market risk of which internal model-based approach				
OV1	Equity positions in banking book under internal model-based approach				

Annexure E
SBSA – Liquidity coverage ratio

	June 2017[1]		December 2016[2]	
	Total unweighted[3] value (average) Rm	**Total weighted[4] value (average) Rm**	Total unweighted[3] value (average) Rm	Total weighted[4] value (average) Rm
HQLA				
Total HQLA		**142 382**		151 297
Cash outflows	**999 024**	**293 403**	1 070 380	312 972
Retail deposits and deposits from small business customers, of which:	**237 547**	**19 862**	235 471	20 241
Stable deposits				
Less stable deposits	**237 547**	**19 862**	235 471	20 241
Unsecured wholesale funding, of which:	**420 228**	**234 832**	438 260	255 944
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**163 528**	**40 882**	152 696	38 174
Non-operational deposits (all counterparties)	**256 631**	**193 881**	285 526	217 732
Unsecured debt	**69**	**69**	38	38
Secured wholesale funding		**214**		11
Additional requirements	**98 412**	**24 622**	112 835	22 328
Outflows related to derivative exposures and other collateral requirements	**13 118**	**13 104**	24 414	10 687
Outflows related to loss of funding on debt products	**3 116**	**3 116**	2 995	2 995
Credit and liquidity facilities	**82 178**	**8 402**	85 426	8 646
Other contractual funding obligations	**3 213**	**3 213**	4 228	4 228
Other contingent funding obligations	**239 624**	**10 660**	279 586	10 220
Cash inflows	**176 748**	**141 048**	186 120	155 950
Secured lending	**27 590**	**16 225**	41 428	32 444
Inflows from fully performing exposures	**130 144**	**111 161**	126 263	109 374
Other cash inflows	**19 014**	**13 662**	18 429	14 132

	Total adjusted value[5] Rm	Total adjusted value[5] Rm
Total HQLA	**142 382**	151 297
Total net cash outflows	**152 355**	157 022
Liquidity coverage ratio (%)	**93.5%**	96.4%

1 Simple average of 91 days of daily observations over the quarter ended 30 June 2017 for SBSA solo excluding foreign branches.
2 The simple average of the month-end values at 31 October 2016, 30 November 2016 and 31 December 2016.
3 Unweighted value represents the outstanding balances maturing or callable within 30 days (for inflows and outflows).
4 Total weighted value is calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).
5 Adjusted value calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

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